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Tokyo stock market builds up head of steam, Page 18

World news | Business summary

Iranian offensive checked, says Iraq

Iraq said that its forces had checked a major two-pronged offensive by three Iranian divisions in the Kurdish mountains on the northern Gulf war front.

A High Command communiqué said the Iranians had failed to capture the strategic mountain peaks of Kardamend and Gardako, north of Baghdad.

Iraq said the Iranians had suffered heavy casualties in the offensive, which had been expected for some time. Page 3

Gadaffi warns US

Libyan leader Muammer Gadaffi began his 18th year in power with a warning to the US that his country had full Soviet backing. In Madrid, US presidential envoy Vernon Walters denied that the US was making demands in its attempts to win support from Nato allies for more pressure against Libya. Page 2

Reporter still held

The wife of Nicholas Daniloff, the US reporter held by the Soviet authorities since Saturday, said he would be kept in detention in Moscow for 10 days while officials decided whether to release him or charge him with spying. Page 2

Jets crash search

Rescuers were searching for at least 10 residents of a Los Angeles suburb who are missing after an AeroMexico DC-9 and a small private jet collided on Sunday killing more than 60 people.

Bangladesh poll date

Bangladesh announced that it would hold presidential elections on October 15 but it was unclear whether opposition parties would take part. Meanwhile, 12 anti-government pickets were arrested during a six-hour general strike that disrupted life across the country.

Airspace 'violated'

A Soviet-made fighter helicopter violated West German airspace late last week but turned back to East Germany after a US Air Force aircraft set out to intercept it, the Defence Ministry in Bonn said.

Soviet liner sinks

Rescue teams were still fighting to save survivors after a 1,000-passenger capacity liner sank in the Black Sea with "some loss of life" following a collision with a cargo vessel on Sunday night, officials said, adding that it was not known how many people were aboard at the time.

Charges dropped

President Corazon Aquino of the Philippines ordered the dismissal of rebellion charges against opposition leader Arturo Tolentino and 25 civilian supporters after they formally recognised her six-months-old Government. Page 3

Indian judge killed

Gunmen firing automatic weapons in a crowded bazaar killed the judge of a special anti-extremist court in central Punjab, before escaping on a motorscooter, police said.

Bhutto 'attacker' shot

A former major accused in April of plotting to murder Pakistan's opposition leader Benazir Bhutto was shot dead near Islamabad in an apparent land dispute.

Basque protest

Police in the northern Spanish town of Elizondo said several people had been injured in a protest at France's expulsion of alleged Basque guerrillas.

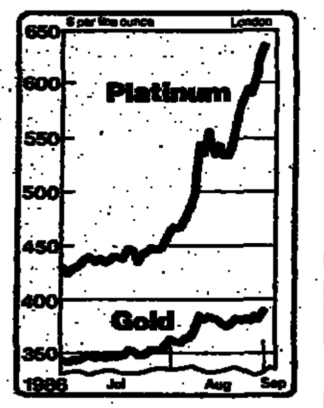
Sri Lankan tension

Army reinforcements were rushed to a Sri Lankan town in the eastern province as tension remained high following violence between minority groups over the weekend.

Plan to cut 10,000 jobs at Voest

VOEST-ALPINE, the Austrian steel, engineering, electronics and trading group, plans to shed more than a quarter of its 38,000 workforce by 1990 as part of a plan to rescue it from losses. The group is due to announce a restructuring plan today.

PLATINUM built on its recent strength adding $11.50 to last week's $41 upsurge. In London yesterday the price was fixed at $638 a troy ounce. Page 34



LONDON: Equities resumed their strong advance after some early caution. Gilts were mixed with longs higher. The FT Ordinary share index added 10.8 to 1,322.7 and the FT-SE 100 index gained 11.6 to 1,672.8. Page 40

TOKYO: Prices fell on concern about overheating. The Nikkei average rose 33.35 to 18,820.75. Page 40

MADRID: Stocks advanced and the Madrid Bourse index hit a fresh peak of 199.03 after a rise of 3.12. Page 40

WALL STREET was closed yesterday, a holiday in the US.

DOLLAR fell in London to DM 2.0240 (DM 2.0350); SFr 1.6330 (SFr 1.6420); FFr 6.6475 (FFr 6.6675), and Y153.80 (Y154.50). Page 35

STERLING rose in London to $1.4905 ($1.4885). It fell to DM 3.0175 (DM 3.0300); FFr 9.9100 (FFr 9.9250); SFr 2.4350 (SFr 2.4450), and Y229.25 (Y230.00). The pound's exchange rate index fell 0.1 to 71.0. Page 35

GOLD rose $6.5 to $391.75 on the London bullion market. It also rose in Zurich to $391.75 from $383.00. Page 34

COFIDE, ultimate holding company of Mr Carlo de Benedetti's expanding Italian and French industrial-financial empire, unveiled its first-ever results, a L9.2bn ($6.5m) net profit in the year to June 30. Page 21

NORSK DATA, Norwegian minicomputer manufacturer, announced a 51 per cent rise in interim pre-tax profits to NKr 168m ($23m). Lex Page 20; Details Page 21

NORDISK GENTOFTE, Danish insulin producer, plans a listing on the Copenhagen stock later this month to raise at least DKr 180m ($23.4m). Page 21

ÖSTERREICHISCHE Länderbank, Austria's third largest bank, will make the first international issue by an Austrian bank of participation certificates in a move to raise its capital to meet capital ratio requirements under a new law. Page 23

NATIONAL Westminster: An affiliate of the UK bank has obtained a securities licence in Japan making it the first British group and the third from any country to have both banking and securities licences in Japan. Page 23

WARTSILA, Finnish metals and engineering group, has bought two robot manufacturing companies in a move to reduce reliance on its declining shipbuilding activities. Page 21

BORAL, Australian building materials company, posted a 37.2 per cent profit increase to a record A$161.36m (US$99m) for the year to June 30. Page 22

Pretoria launches Asia trade drive to offset sanctions

BY ANTHONY ROBINSON IN JOHANNESBURG

MR PIK BOTHA, the South African Foreign Minister, flies to Japan today as part of a concerted effort to pre-empt Pretoria's economic isolation by boosting trade with Asia and reducing exposure to sanctions by European countries.

After meeting both Japanese politicians and businessmen over five days, Mr Botha flies to Taiwan where Mr Dawie de Villiers, the South African Minister for Trade and Industry, met officials yesterday. Mr de Villiers last week made an unannounced stopover in Japan for talks with businessmen.

High on South Africa's list of priorities is the maintenance and development of its coal exports in the face of sanctions moves in its European markets. Last year, Japan took about 20 per cent of South Africa's 44.8m tons of coal exports.

Japan has also sharply increased imports of South African gold in connection with the minting of the Hirohito gold coin, although most of its gold purchases were made indirectly through Europe and the US, where gold purchases helped to offset its politically embarrassing trade surpluses.

In Europe yesterday, Sir Shridath Ramphal, Commonwealth Secretary-General, announced that the six Commonwealth heads of government who met with Mrs Margaret Thatcher, the British Prime Minister in London early last month, have appealed to non-Commonwealth countries to join them in a "concerted programme of sanctions."

He told a conference of the English-speaking Union in Edinburgh that the appeal was sent last week to leaders of the US, Japan and the the EEC countries other than Britain. Following the London meeting, a promise to work for concerted international action was made by the six.

They were President Kenneth Kaunda of Zambia and prime minsters Bob Hawke of Australia, Sir Lynden Pindling of the Bahamas, Brian Mulroney of Canada, Rajiv Gandhi of India and Robert Mugabe of Zimbabwe.

In London, Mr Chester Crocker, US Assistant Secretary of State, yesterday discussed a timetable for possible economic sanctions with Sir Geoffrey Howe, the British Foreign Secretary. Diplomats said that Mr Crocker, who has special responsibility for African affairs, was also expected to meet senior Japanese embassy officials in London.

Mr Botha is the highest-ranking South African politican ever to visit Japan, although last year Dr Gerhard de Kock, governor of the reserve bank, and Mr Barend du Plessis, the Finance Minister, stopped in Tokyo for talks with Japanese business and finance leaders on their way home from the annual meeting on the IMF in Seoul.

On the formal diplomatic level, Japan only maintains consular representation in Pretoria, while the Japanese external trade organisation Jetro has an office in Johannesburg. Japan has tended to keep a low profile over the sanctions is-

Continued on Page 20

Reaction to sanctions, Page 2

At least 18 people were injured, four seriously, in a blast which tore through a crowded supermarket in suburban Durban yesterday. Meanwhile, the Government yesterday released the names of another 786 people detained under the country's state of emergency. This was in addition to the 8,551 names released two weeks ago.

Dome asks debt holders for time on repayments

BY BERNARD SIMON IN TORONTO AND PETER MONTAGNON IN LONDON

DOME PETROLEUM, the ailing Calgary-based energy producer, underlined its precarious financial position yesterday by asking holders of eight public issues of unsecured debt instruments to waive interest and principal payments until at least February 27, 1987.

Dome, whose borrowings of C$6bn ($4.32bn) make it one of the world's largest corporate debtors, warns that failure by the debt holders to agree to the waiver may trigger a default and put the company into liquidation.

Dome's decision to seek a waiver of both interest and principal repayments marks what is believed to be the biggest such upset the Eurobond market has seen during its 20-year history.

Carefully timed to coincide with a public holiday in both the US and Canada, the announcement took bankers in London by surprise. Though they were well aware of the difficulties facing Dome, they said its implications for the bond market had not so far been widely recognised.

The caution shown this year by continental European investors towards US corporate borrowers was likely to intensify, they said. There could be a ripple effect in which buyers would shy away from lesser-rated borrowers, especially Canadian issuers in the energy sector.

The eight series of bonds, notes and debentures represent about C$500m of Dome's debt. The company, which is being advised by Morgan Stanley, said yesterday that in the event of liquidation, unsecured creditors would probably "lose the larger part of the face value of sums due to them."

Meetings will be held in London and Zurich within the next month to consider Dome's latest request for concessions from its lenders. The matter is of some urgency since a SFr 100m note matures at the end of October.

Like other North American energy companies, Dome has been hit by the steep fall in oil and gas prices. Each C$1 per barrel drop in oil prices costs the company C$20m in annual cash flow and C$9m in net income.

When oil prices began their precipitous fall late last year, Dome was showing the first signs of recovery from the financial problems caused by an over-ambitious acquisition spree during the Western Canadian energy boom of the late 1970s and early 1980s. It posted a small profit in 1985 but slumped to a C$182m loss in the six months to June 30 this year.

Trading in Dome's issues in the international bond markets has become thin since its difficulties surfaced.

Swiss injunction blocks $8m Eurobonds computer fraud

BY CLIVE WOLMAN IN LONDON

ONE OF the UK's largest attempted frauds, involving the electronic transfer of securities, has been detected and blocked with the help of an injunction in Switzerland only hours before its completion.

The attempted fraud involved the transfer of Eurobonds worth $8.5m to a Swiss bank account. The securities belonged to the London branch of Prudential-Bache Securities, the US investment bank. Its London offices have now tightened up their computer password security in response to a series of criticisms from their New York head office staff.

One official involved in the investigation said: "When I saw how easy it was to break into their system, I thought of retiring, buying a simple computer manual and doing the same thing myself."

Officers from the City of London fraud squad are travelling to Switzerland, Belgium and the Netherlands to investigate the alleged offence which occurred in February. They wish to interview five men.

Two men have been charged with offences related to the attempt and are due to reappear before Guildhall magistrates in the City of London today. They are Mr Angelo Lamberti, who resigned as a supervisor at Pru-Bache in February after working there for several years, and Mr John Felinski, who described his occupation as a roofer. The two men, who have been released on bail, were aged 24 and 23 at the time of their alleged offence. Both live in north London.

According to computer experts, all that was required to break into the Pru-Bache computer system and authorise the electronic transfer of Eurobonds was a home computer and a knowledge of the password. A home computer would be able to penetrate the system using the public telephone lines.

The more sophisticated systems for electronically transferring funds require one person using a password to initiate the transfer and a second with a different password to authorise it. But the Pru-Bache system could be activated by the use of only one password which was known to several employees.

The Eurobonds, which were owned by Pru-Bache as principals and not held on behalf of clients, were transferred to Switzerland through two Eurobond clearing houses. These were Euroclear, which is managed by Morgan Guaranty and based in Brussels, and Cedel, in Luxembourg. In Switzerland, the securities were credited to an account of the Lombard Odier bank in Geneva in the name of a Geneva financial company.

It normally takes seven days to convert the bonds to cash after such a transfer. With less than 48 hours to go, officials in Pru-Bache's offices in London were alerted by discrepancies in their accounts. Eurobonds with a market value of $8.5m would normally accrue substantial interest over a five-day period.

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Mugabe urges Third World action on debt

BY VICTOR MALLET IN HARARE

MR ROBERT MUGABE, the Prime Minister of Zimbabwe, speaking at the start of a summit meeting of the 101-member Non-Aligned Movement, yesterday called for concerted Third World action to tackle the problem of crippling foreign debt payments to industrialised countries.

A draft economic declaration for adoption by the six-day summit in the Zimbabwean capital has already called for a variety of measures to ease the debt burden of the Third World, including the limiting of debt service payments to a percentage of export earnings. Peru, which has already cut back its debt payments to a proportion of exports, is chairing the committee studying economic issues at the summit.

"The debt crisis, in particular the debt service burden it imposes on economies of the debtor countries concerned, has reached grotesque proportions," said Mr Mugabe, who has taken over the leadership of the Non-Aligned Movement from Indian Prime Minister Rajiv Gandhi.

Quoting a World Bank figure for total developing country debt of $812.4bn, Mr Mugabe said the crisis evoked the idea of a voracious monster gobbling up all the export earnings of poor countries.

Mr Mugabe, flanked by nearly 50 other heads of state and government, also reiterated calls for the overthrow of the white-led South African Government and for international nuclear disarmament.

The Non-Aligned Movement, formally set up in Yugoslavia in 1961, includes 99 countries and two guerrilla groups, the Palestine Liberation Organisation (PLO) and the South West Africa People's Organisation (Swapo). It professes to shun superpower confrontation but its anti-American and anti-Israel rhetoric has led to accusations of a pro-Soviet bias, particularly under the previous leadership of Cuban President Fidel Castro.

Many leaders at the current summit, held in Harare to highlight the conflict in southern Africa, have urged comprehensive and mandatory economic sanctions against Pretoria.

But on this, as on other issues such as Latin America and the Gulf War, the non-aligned movement is deeply divided. Mr Mugabe, despite Zimbabwe's economic dependence on neighbouring South Africa, has taken the lead in promoting sanctions, while other dependent countries such as Botswana have been considerably more cautious.

A draft summit declaration on southern Africa endorses – without promising to enact – a series of sanctions, including the termination of air and shipping links with South Africa.

Mexican president defends policies

BY DAVID GARDNER IN MEXICO CITY

MEXICO would have finished laying the foundations for the restoration of its economic health this year had it not been for the loss of around half its oil income, Mr Miguel de la Madrid, the Mexican President, said yesterday.

In a detailed defence of his government's policies over the past four years, President de la Madrid described the oil price collapse as "the worst crisis of our contemporary history", and the "fundamental cause of the inflationary and recessionary process we are living today."

At the same time he stressed that Mexico was anxious to co-operate with creditors over its $98bn foreign debt. "We will stay on the road of no confrontation," he said.

Mr de la Madrid was delivering his fourth annual state of the union address to Congress, covering a year which registered not only the oil shock and consequent reopening of Mexico's foreign debt crisis, but also last September's devastating earthquakes in Mexico City and an upsurge of opposition to the ruling Institutional Revolutionary Party's fixing of regional elections.

The President argued vigorously that his Government's austerity policies and attempts to structurally reorganise the economy, far from being the cause of the new crisis, meant that Mexico would be able to confront it "on solid ground."

Mr de la Madrid reviewed in detail the major structural reforms, with particular emphasis on the import liberalisation of the last 12 months, including Mexico's entry into the General Agreement on Tariffs and Trade (Gatt). Foreign

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New UK entry visa regulations condemned as 'racist'

By John Hunt in London

PEOPLE from the Commonwealth countries of India and Bangladesh, Ghana and Nigeria and from non-Commonwealth Pakistan will have to obtain entry visas in order to visit Britain under changes to the immigration rules approved by the UK Government yesterday.

Britain decided to press ahead with the controversial proposal, which will come into effect in a few weeks' time, despite objections from the Foreign Office that it could strain relations with the countries concerned.

The proposals, which will cost £14m ($20.9m) a year to administer, came under fierce attack from the Labour Party opposition last night and are likely to be strongly opposed when the House of Commons resumes in October.

Mr Gerald Kaufman, shadow Home Secretary, condemned it as "an act of outright racialism." Mr Alan Beith, Liberal Party Foreign Affairs spokesman, said the countries concerned had predominantly non-white populations and said the move was nothing more than racial prejudice on the part of the Government.

However, Mr Douglas Hurd, the Home Secretary, insisted last night it was not a racialist measure nor was it intended to reduce the number of visitors from these countries.

"We have to have immigration checks," he said. "I think it more civilised and sensible that these are carried out before someone starts off on their journey."

He said the visas, which cost £14 ($19) each, were necessary to avoid congestion at points of entry, particularly Heathrow Airport, caused by large numbers from the five countries falsely trying to get into Britain as visitors with the intention of staying permanently.

The Home Office said Britons visiting India, Bangladesh, Ghana and Nigeria had to obtain entry visas although Pakistan did not require them. Mr Hurd warned that if, as a result of his announcement, there was a sudden rush of passengers from these countries, "the Government would have no hesitation in imposing an immediate visa requirement."

Visitors from most countries other than the Commonwealth and EEC have always required visas. But, as the Governments' critics emphasised last night, white South Africans can still come in without visas.

The Foreign Office is nervous about the effect the decision will

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French coal and steel groups replace leaders

BY DAVID HOUSEGO IN PARIS

FRANCE'S state-owned steel companies and the nationalised coal industry were given new managements yesterday in a reshuffle at the top of the public sector.

Mr Francis Mer, 47 currently the head of Pont-a-Mousson, the pipes and engineering division of Saint-Gobain, was appointed acting manager of the steel groups Usinor and Sacilor. His nomination was made by the boards of the two companies and he is expected to be confirmed in the chairmanship at the weekly cabinet meeting tomorrow.

Mr Bernard Pache, 52, until recently the head of the Pechiney aluminium group, was named to head Charbonnages de France, the state-owned coal company. The nomination was made at a board meeting at which Mr Michel Hug, the former chairman, presented his resignation. It has also to be confirmed at the weekly meeting of the cabinet.

President Mitterrand's approval is needed for the appointments, as it will also be for the further changes expected to be announced at the top of other nationalised banking and public sector companies tomorrow.

Colleagues of Mr Mer said yesterday that he would give himself several weeks before making any public statement of policy.

He is regarded as a professional industrialist with no committed political views. As head of Pont-a-Mousson, he has presided over the company's financial recovery and the European expansion of its pipes and engineering division. Pont-a-Mousson recently acquired the British pipes group Stanton and Staveley.

While at Saint Gobain, he was also responsible for what proved its abortive move into the computer industry.

Mr Pache, who was for 18 months the head of Pechiney until replaced by the Government in July, takes over the French coal industry at a time when its hopes of eliminating operating losses by 1989 have been knocked apart by the drop in the oil price. The calculations in any case allowed for a continuing government subsidy of FFr 6.5bn (£590m) a year.

Charbonnage has had to lower its prices to its industrial customers by 8 to 10 per cent, and its prices to its main client Electricite de France, are indexed on international coal prices. Losses of over FFr1bn are expected this year.

Mr Pache is expected to abandon the policy of his predecessor who tried to offset the decline of coal by developing Charbonnage as an international energy and trading company. These plans were regarded by many in the Government as unrealistic

Rocket consortium sets up joint marketing company

BY DAVID BUCHAN, DIPLOMATIC CORRESPONDENT

THE FIVE-NATION industrial consortium making the Multiple Launch Rocket System (MLRS) for the US and four West European states yesterday announced a joint company to market the rapid-fire artillery system world-wide.

Mr William Stoney, president of the new company, MLRS International Corporation (MIC), told a Press conference in London that, in addition to the $7bn (£4.7bn) worth of MLRS already ordered by the US, Britain, West Germany, France and Italy, a further $4bn to $5bn sales were expected both within Nato and outside it.

The first sales outside the five countries participating in the MLRS production programme were likely to be to the Netherlands and Turkey, Mr Stoney said. Other prospective buyers were Pakistan, Egypt, Denmark, Norway, Japan, Thailand and Singapore, he claimed.

Shares in MIC reflect those in the MLRS production programme — 60 per cent for LTV, the US defence contractor which has been supplying MLRS to the US Army since 1983, and 40 per cent for the Munich-based Europaische Produktion Gesellschaft (EPG), the prime contractor for MLRS in Europe, comprising Diehl (West Germany), Hunting Engineering (UK), Aerospatiale (France) and SNIA-BPD (Italy).

The particular feature of the MLRS, which consists of a 25 tonne tracked vehicle launcher capable of firing 12 rockets a minute over a range of more than 18 miles, is that it is being produced on both sides of the Atlantic in identical form. As such, it looks like becoming one of the most successful standardisation programmes undertaken within Nato.

MIC's first aim would be to sell MLRS to other Nato members, said Mr Stoney. The weapon would be somewhat cheaper to alliance members than to non-Nato countries because the five governments which set up the production programme will recoup their investment with an 8 per cent levy on export sales to Nato countries and a levy of perhaps 10 per cent on sales outside the alliance.

Mr Max Rentsch, head of EPG, said some sales of MLRS outside Nato might come off the LTV production line in Arkansas rather than from EPG because of the West German... about sales to volatile Third World areas.

MIC will try to balance sales of the rocket system, Mr Stoney said, so that over about 10 years roughly 60 per cent of exports would come from the US and 40 per cent from the European consortium. For the moment, MLRS is aavilable only from the LTV company with deliveries from EPG due to start in early 1989.

West Germany is the dominant European partner in the programme, with a 60 per cent share in EPG, while the UK has 20 per cent, France 16 per cent and Italy 4 per cent.

Moscow holds American journalist for third day

BY PATRICK COCKBURN IN MOSCOW

MR NICHOLAS DANILOFF, the Moscow correspondent of the magazine US News and World Report charged with espionage, was held in custody for a third day yesterday as diplomats waited to see how his arrest will affect US-Soviet preparations for a summit meeting.

Mr Daniloff has yet to be officially charged with spying and was yesterday allowed to see his son who is visiting Moscow. Diplomats say his arrest is apparently in retaliation for the detention for espionage in New York of Mr Gennady Zakharov, a Soviet physicist working at the United Nations.

They say the speed and strength of Soviet reaction is similar to Soviet retaliation for the expulsion of 31 Soviet officials and journalists for espionage from Britain last year. The same number of British diplomats, businessmen and journalists were expelled from Moscow.

Mr Daniloff was arrested on Saturday when a Soviet friend gave him an envelope containing newspaper clippings which turned out to contain two maps marked secret and photographs of Soviet military facilities.

Mr Mortimer Zuckerman, chairman of US News and World Report, was expected in Moscow yesterday to press for Mr Daniloff's release. He is expected to seek meetings with Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr Anatoly Dobrynin, the Communist Party secretary in charge of international affairs and the former Soviet ambassador to the US.

● The Soviet Union yesterday announced a top level government mission to investigate the sinking of a Soviet passenger ship with loss of life off the Soviet Black Sea coast on Sunday night.

The Admiral Nakhimov sank after colliding with a cargo ship not far from Novorossiysk, a Black Sea port, the state news agency Tass said.

Mr Geidar Aleyev, a Politburo member, would head the investigating commission into the cause of the accident, it said.

Sweden achieves payments surplus

By Kevin Done,

SWEDEN achieved a surplus of SKr 6.3bn (£617m) on the current account of the balance of payments in the first six months of the year compared with a deficit of SKr 9.4bn in the corresponding period of 1985.

The transformation in the country's external payments position this year reflects chiefly a big improvement in the trade account which has produced a surplus of SKr 21.9bn in the seven months from January to July compared with a surplus of only SKr 6.3bn a year earlier.

About SKr 10bn of the improvement in the trade account has been derived from the drop in oil prices, but even excluding oil and ships, Swedish exports have increased by 5 per cent.

The Swedish current account has improved dramatically in the last three years.

In 1984, it showed the first modest surplus—SKr 2.8bn—since 1973, and although it plunged back into a deficit of SKr 9bn last year it is expected to show a significant surplus in both 1986 and 1987, thanks both to the fall in oil prices and to lower interest rates and the weaker dollar, which have reduced the servicing costs of the country's foreign debt.

The capital account has also shown a dramatic improvement and Sweden has enjoyed a capital inflow of SKr 14.1bn in the first seven months of the year.

Portugal current account back in the black

BY DIANA SMITH IN LISBON

UNEXPECTED rises in tourism revenue and emigrant remittances coupled with the benefits of falls in oil prices and interest rates have dramatically altered forecasts for Portugal's 1986 current account.

The Government had previously predicted a $700m balance of payments deficit for 1986 on the basis of economic growth of 4 to 4.5 per cent higher investment and consumption after two years of austerity and subsequent pickup of imports. However, the current account was $300m in the black at the end of May and is now expected to end the year at a surplus of $1.3-1.4bn.

This would be the largest surplus recorded since Portugal's political regime changed in 1974

Tourism revenue has risen by 70 per cent so far this year on the comparable period of 1985 and emigrant remittances have grown 40 per cent.

These factors together with oil, dollar and interest rate windfalls which have resulted in savings of about $1bn this year, compensate for sluggish export growth of 2 per cent against a 5 per cent forecast.

The current account bonanza enables Portugal to reduce its heavy foreign debt of $16.2bn.

Staying silent: General Walters refuses to discuss the details of his meeting yesterday with Spanish Foreign Minister Fernandez Ordonez

Walters denies 'making demands' over Libya

BY DAVID WHITE IN MADRID

MR VERNON WALTERS, US Ambassador to the United Nations and special Presidential envoy, yesterday denied that the US was making "demands of any kind" in its bid to secure support from Nato allies for increased pressure against Libya.

Neither Mr Walters nor Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, would comment on the details of their meeting in Madrid, the first of seven European capitals due to be included in the US envoy's tour.

Mr Walters described the talks, which had covered various themes connected with international terrorism, as very friendly.

Mr Fernandez Ordonez said the Libya issue might be discussed by EEC foreign ministers at their meeting in London next weekend, but he would not be drawn on the prospects for a joint response. Spain's position on economic sanctions has been to abide by whatever is agreed at an EEC level.

Officials would neither confirm nor deny that the US is seeking a reduction in purchases of Libyan crude oil. Libya was Spain's third largest supplier of crude last year, after Mexico and Iraq.

Madrid has meanwhile reiterated its opposition to what it regards as "disproportionate" measures such as the US bombing raid against Libya in April.

Mr Fernandez Ordonez said Spain would, however, continue to back international co-operation against terrorism "within the norms of international law."

Reuter adds from Tripoli: Libyan leader Col Muammar Gaddafi, celebrating 18 years in power yesterday, warned the US that his country has full Soviet backing.

In a defiant speech to mark the anniversary of Libya's revolution, Col Gaddafi heaped praise on Soviet leader Mr Mikhail Gorbachev and called US President Ronald Reagan "Israel's crazy dog."

"One is sane, the other is crazy. One is responsible, the other irresponsible. One is worthy, the other not worthy of leading a superpower," Col Gaddafi told more than 5,000 supporters on Tripoli's main square.

It was his first public speech in the capital since US aircraft bombed his home and other targets on April 15. The US has said it will strike again if Libya is linked to new terrorist attacks. Libya denies any involvement in terrorism.

Hungarian law may lead to several liquidations

BY LESLIE COLITT IN BERLIN

HUNGARY'S LIBERALISED bankruptcy law, which came into effect yesterday, could lead to the liquidation of several large and inefficient state companies which are being artifically kept afloat by government subsidies.

Hungarian courts will for the first time be able to declare a company bankrupt. Previously the authorities had the sole say in bankruptcy proceedings. Another innovation is that company managements or their creditors can begin bankruptcy proceedings.

The Government, however, has been busily writing off the debts of several dozen ailing companies in the steel, aluminium, coalmining, meat processing and building sectors in anticipation of the new law. The steel industry alone has been given Florints 15bn (£229.9m) in state aid this year.

The new decree stipulates that bankruptcy proceedings are only to be a last resort.

Favourable indicators test Rome's resolve

By John Wyles in Rome

THE ITALIAN Government's already uncertain readiness to adopt an "austere" budget for 1987 is being steadily eroded by a string of favourable economic indicators.

In recent days market interest rates have fallen to single figures for the first time since 1976, the balance of payments deficit for the first seven months of this year has been reported at a mere quarter of what it was in 1985, while industrial production has been showing a healthy annual increase of 2.6 per cent.

As a crucial and welcome bonus, the fall of the dollar and in oil prices has helped to drag the annual inflation rate down to 5.9 per cent from 9.4 per cent last year.

All the indications are that industrial wage increases have been running ahead of this inflation rate to consolidate the general sense of national well-being.

Against this background Mr Giovanni Goria, Treasury Minister, is having a hard time persuading his colleagues in the Government that 1987 should be another year of attempted budgetary discipline in Italy and that, above all, some L2,500bn should be lopped off government spending on sectors as sacrosanct as health and pensions.

The Council of Ministers will meet again tomorrow to try to agree a general statement of budgetary direction to be submitted to parliament as a prelude to detailing specific proposals later this month.

Fearing that Mr Goria wants to save a giveaway budget for next year when his party, the Christian Democrats, should be in possession of the Prime Minister's office, some ministers, specially the Socialists, are calling for a much greater emphasis on economic development and, by implication, rather less on spending cuts.

Mr Goria has not been helped by falling interest rates which are reducing the costs of financing the Government's astronomical debt—now higher than the country's annual income.

An auction of treasury notes and bills last week was not only oversubscribed—itself a measure of how generous current Italian interest rates are judged to be—but also resulted in interest rates on short term securities of between 9.5 and 10.0 per cent, the lowest for 10 years.

The balance of payments deficit, meanwhile, so often a constraint on Italian policy in the last few years, has fallen from L4,154bn in the first seven months of 1985 to L1,089 between January and July this year.

Irish airline to cut workforce

THE Irish Republic's national airline Aer Lingus plans to shed at least 500 of its 5,500-strong workforce over the next three years.

The airline has to meet increased competition from low cost competitors and raise almost £1,000m to buy replacement aircraft for its ageing European and Atlantic service fleets.

Talks are to be held between management and the trade unions to work out the full extent of the cutbacks.

The airline said it hoped to reduce the staff through voluntary departures and early retirements rather than enforced redundancies.

But Aer Lingus trade union sources said they feared the semi - state - run company would seek an even greater number of lay-offs

SOUTH AFRICAN SANCTIONS

Mr Gavin Relly, chairman of Anglo-American, the South African mining group, last week attacked the approach of Canada and Australia to sanctions against his country. **Richard Hubbard** in Canberra and **Bernard Simon** in Toronto report on whether or not his accusations are justified

Australians worry about short-term losses in exports

AUSTRALIA and South Africa are major competitors in many of the world's primary produce markets, while the two countries themselves have had a steadily growing trade relationship over the past decade.

Initially Australia's decision to join with the African states in imposing some of the toughest measures against South Africa threatens a loss of some much-needed export revenue, but over the longer term Australia could gain significantly by winning access to foreign markets for some of its principal exports.

When announcing the Government's decision to impose tough sanctions on South Africa, including additional measures not part of the London communique, Mr Bob Hawke, the Prime Minister, said: "Western countries cannot afford to take decisions about sanctions on the basis of some narrow, short-term calculation in dollars and cents. I do not do so in associating Australia with the measures agreed in London."

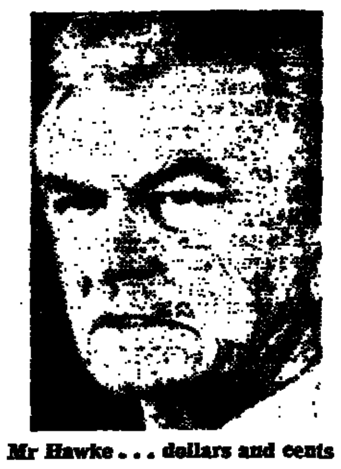
Australia has moved to implement all 11 sanctions agreed in London but only four really affect the country. They are the banning of air links, new investment or re-investment of profits earned in South Africa, the import of agricultural products and the promotion of tourism.

Australia has also withdrawn temporary residence status for South African trade officers and for the commercial vice-general in Sydney, and an A$5m (£2.02m) assistance package to provide humanitarian aid for Black South Africans and Namibians.

Initially Australia's stand on sanctions threatened its bilateral trade with South Africa. Department of Trade figures show Australia exported goods worth A$205m to South Africa in the year to June, 1985, and purchased imports worth A$137m.

The trade surplus of A$68m was down sharply on the previous year, but is in line with the average for the past 15 years.

From small beginnings in the mid-1970s, trade between Australia and South Africa has been steadily growing and for all but two years has been in Australia's favour. South Africa imports wheat, animal oils and fats and some manufactured goods such as internal combustion engines, civil engineering parts, motor vehicle spares and telecommunications equipment.



Mr Hawke . . . dollars and cents

As Australia undergoes a trade crisis in which it is prepared to shed anti-nuclear principles for the sale of A$66m worth of uranium sales to France, the significance of this trade cannot be overlooked.

In the long term, the Australian joint coal board has estimated that Australia's iron ore and coal industries could gain up to A$150m a year in new markets if trade sanctions were implemented. This would depend however, on how major raw material users such as the European Community, Japan and the US proceed in limiting South African imports, and how hard South Africa fights to retain its share of other markets through cutting prices.

Australia is one of the world's largest exporters of coal and this commodity represents its major overseas revenue earner. According to an analysis done by the Australian Council for Overseas Aid, South Africa has made significant inroads into the Asian markets of Japan, South Korea, Taiwan and Hong Kong through its lower transport and handling costs and greater reliability as a supplier.

According to the ACOA, Australia also stands to gain in the supply of strategic metals, such as manganese, titanium and virconium ores, and Australian gold mines would benefit.

Canada fears supply cut-off

INSTEAD OF looking forward to the exclusion of competitive South African products from international markets, many Canadian businesses appear to be more concerned about the possible costs and unpredictable consequences of sanctions.

They fear that looming boycotts against South African steel, uranium and fruit (all of which are also produced by Canada) may be widened to include items which Canadian companies buy from South Africa and would have difficulty obtaining anywhere else.

Rio Algom, one of Canada's biggest uranium producers, might be expected to be rubbing its hands at the prospect of stepping in to fill South Africa's shoes in an oversupplied uranium market.

But an official of the Toronto-based company, a subsidiary of Britain's Rio Tinto-Zinc, says that attention is focused instead on the threat which comprehensive trade sanctions would pose to supplies of South African ferrochrome used by a Rio Algom subsidiary which manufactures special steels. Rio Algom and other domestic steelmakers have told the Canadian Government that any interruption of imports from South Africa would create serious difficulties.

On the other hand, a ban on South African steel exports to North America is expected to bring only marginal benefits to Canadian producers, Mr Dan Romanko, director of the Canadian Steel Producers Association, says that domestic steel makers support Otawa's sanctions policy, "but with reservations."

Anti-dumping action has already put a stop to imports of two key South African products to Canada—carbon plate and wide-flange beams.

Canada's trade with South Africa has swung from deficit to surplus in the past two years. Imports total C$27.1m (£13.1m) in the first three months of 1986, compared with exports of C$38.5m. South Africa is one the biggest customers for Canadian sulphur and potash and also buys substantial amounts of wood pulp. Sales to Canada include wool, sugar, fruit, mining machinery and ferro-alloys.

Scepticism about sanctions against South Africa bringing major benefits to Canadian exporters is partly based on doubts about the effectiveness of any boycott. Canadian coal producers have picked up some business in France and Denmark, since those two countries announced sanctions against South African coal earlier this year. But they have forfeited opportunities in Far East markets, such as Taiwan, South Korea and Hong Kong, where the South Africans have cut prices to dispose of surplus tonnage.

Furthermore, the impact of sanctions is unpredictable. Struggling Ontario wine growers might be expected to benefit handsomely from the ban on South African wines imposed earlier this year by Canada's most populist province, since South Africa shipped more than 53,000 cases of wine and 8,500 cases of port to Canada last year.

There is no sign, however, that local wines are filling the gaps.

Although Canada is a major coal supplier to Japan, it stands to gain less than Australia or Colombia, if Japanese buyers join the sanctions bandwagon. Most Canadian coal shipped to Japan is metallurgical grades used for steel making. The South Africans sell mainly lower grade steam coal for power generation.

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Poland to sign debt agreement

By Patrick Blum in Vienna

POLAND will sign a rescheduling agreement in Vienna next Tuesday for the major part of its principal debt repayment due to Western creditors this year and next, a Bank of America spokesman said in Vienna yesterday.

The rescheduling covers repayment of 95 per cent of $1.62bn due to be paid back in 1986 and 1987. This is expected to be put off for four years.

The agreement was to have been signed in August but the signing ceremony had to be postponed because most bankers were away on holiday.

Albanian rail link opened

Traffic started rolling along Albania's first railway link with the outside world yesterday, Reuter reports from Belgrade.

An eight-wagon Hungarian-bound freight train left Albania and a 20-wagon train left Yugoslavia for Albania.

A special correspondent reports on how the Soviet Union copes with its youth

Little sex, few drugs, but more rock 'n roll

THE TRADITIONAL image of wholesome Soviet lads and lasses untainted by capitalist evils like drug abuse, easy sex and wild rock music is changing as Moscow's leaders reach out to a younger generation reared in greater material comfort and knowledge of the outside world than its parents.

The Soviet authorities are not however encouraging the mass cult of the young that has spawned enormous industries of fashion and rock music in the West. No public pop culture exists in the Soviet Union.

Young people can nonetheless bewilder their parents, and others removed from the bush telegraph of word-of-mouth contacts and swaps of tapes and videos that help young Soviets set their style.

Punk-style haircuts can be seen in Moscow and Leningrad and some urban youth in the European Soviet Union, while raised in a very different environment and not disloyal to their system, can increasingly resemble their Western peers in looks and behaviour.

Higher earnings, the spoiling of offspring and greater contact with the outside world through tourists, radio and video (soon to be followed by satellite TV) mean more and more young Soviets have the money and attitudes to follow trends seeping through their closed borders. A lack of consumer goods at home, and the scarcity of cars and apartments (almost all Soviet young people live at home), encourage spending on tempting foreign goodies.

Taste often runs far ahead of what the state-run media and

Punk-style haircuts can be seen in big cities but parents can still be bemused by Western-style fashions, for there is no public pop culture in the Soviet Union

the Young Communist League offer. While pop music seen on television tends to be sugary and light, heavy metal and punk bands have a definite following.

Groups with names like Cinema, The Sounds of Mu(sic) or Aquarium have acquired fans by distributing their own tapes recorded after-hours in studios because the state recording firm Melodiya would never touch their work.

Moscow and Leningrad have acted to control such mushrooming rock groups by establishing rock laboratories where bands can rehearse (and be scrutinised) and granting occasional, small concerts.

Audiences for such music now extend beyond the children of the elite who first got hooked on the Beatles 20 years ago. But most groups remain highly derivative of western models.

Indeed, a major difficulty for both independent-minded youth and the authorities is to find a uniquely Soviet style with broad appeal. In music, this has been achieved only by balladeers in the mould of Vladimir Vysotsky—a razor-voiced actor-singer adored by all ages who died in 1980 and is now winning some official recognition. Fashions, haircuts and fads like skateboarding and break dancing come almost exclusively from the West.

Since Mr Mikhail Gorbachev came to power, the authorities have tried to catch up with these trends faster and thus control them more subtly. Slowly, they are realising that blatant interference like media denunciations of Western rock and videos or the platoons of police that keep spectators seated at rock concerts conflict with young people's yearning to do things for themselves and can isolate the young.

One of the most perceptive of recent media articles on Soviet drug addicts revealed that every second or third letter to the national youth newspaper complains about bans imposed on young people.

Subtler control involves accommodating youth interests and moving with the times. Domestic videos are now produced and some cafés, bars and restaurants show sanctioned foreign videos.

Computer dating exists in Moscow and a few other cities to overcome the loneliness of Soviet singles—often divorcees in a country where people marry young and may part swiftly. Urban marriages end in divorce 30 to 50 per cent of the time, broken by the pressures of living with parents, a husband's drunkenness or women's growing intolerance of chauvinist males.

The discussion about drug abuse, and the recent establishment in Moscow of a hotline and 10 centres where addicts are assured of anonymous treatment, also denote a growing realisation that youth problems must be tackled—and serve to scare off potential addicts by publicising horror stories.

The drug problem is minimal compared to that in the West. But published interviews with parents and addicts as young as 15 reveal similar motives for smoking marijuana, sniffing glue or injecting home-made cocktails of drugs stolen from chemists: the young feel neglected by parents and teachers, are bored or disillusioned.

The mother of one addict was quoted recently as saying: "Why should anyone be surprised. If he sees and hears people saying one thing, but doing another, how is he supposed to live?"

OVERSEAS NEWS

Iranian attack may herald fresh offensive

BY RICHARD JOHNS

IRAQ YESTERDAY claimed to have repulsed an Iranian atack on its north-eastern border which could signal the beginning of Iran's expected autumn offensive.

Iran's account of the fighting flatly contradicted the Iraqi version of events. "The Moslem forces of Iran have successfully achieved their predetermined targets and are advancing," said the Islamic Republic News Agency. It claims: "Hundreds of Iraqi troops have been killed, wounded or captured."

The area of fighting is nearly 300 miles from the central and southern sectors where Iran has massed forces numbering 650,000 in apparent preparation for what Iranian leaders have billed as the "final offensive."

Diplomatic observers speculate that the attack in the remote region of Kurdistan could presage activity elsewhere on the front in the near future.

A military spokesman in Baghdad said that the Iraqi Fifth Army had "crushed" a thrust by three divisions in mountainous territory near Haj Omran and inflicted "thousands" of casualties early yesterday morning.

He said that the attack was aimed at the peak of Kardamand overlooking Haj Omran and the Gardaka mountain in the same area. Kardamand was recaptured by Iraqi forces early this year after three years of Iranian occupation.

Nevertheless, the fighting appeared to be continuing. The military spokesman said that victory in ensuing battles would be decisive and final.

Recent statements by Iranian leaders suggest that Tehran might be planning a full-scale attack later this month. Last Friday Mr Hossein Moussavi, the Iranian Prime Minister, said: "The great offensive of the Moslem forces of Iran against the obviously weakened Iraqi troops is not far off."

On the same day, Hojateslam Ali Akbar Rafsanjani, Ayatollah Khomeini's representative on the Supreme Defence Council, told the weekly prayer meeting on the Campus of Tehran University that the Revolutionary Guards Corps had completed preparations for the dispatch of 1,000 fighting battalions to the fronts.

That would represent a force of 350,000 men apparently in addition to the 250,000 Revolutionary Guards already mobilised along or near Iran's border with Iraq and 400,000 troops of the Iranian Army.

Philippine rebellion charges dismissed

By Samuel Senoren in Manila

PRESIDENT Corazon Aquino of the Philippines yesterday ordered the dismissal of rebellion charges against Mr Arturo Tolentino, the Opposition leader, and 25 civilian supporters after they formally recognised her Government.

Mr Tolentino, who was vice-presidential running mate of Mr Ferdinand Marcos the deposed president in elections last February, mounted an unsuccessful coup in July, installing himself acting president with the help of a few army generals.

Mrs Aquino had treated the coup plotters lightly, agreeing to let them go free in a move to hasten the process of national reconciliation which is a key objective of her Government.

Mrs Aquino is actively pursuing peace initiatives with various rebel forces which had sought to topple Mr Marcos. After arranging ceasefire negotiations with the Communist New People's Army, Mrs Aquino is set to meet the leader of the largest faction of the secessionist Moro National Liberation Front this week in Mindanao.

Japan warms to the pursuit of happiness

THERE are lots of ways in which foreigners would describe the Japanese, but "happy" is not one of the first to spring to mind, writes Ian Rodger from Tokyo.

Yet according to a new opinion survey they are happy, they value living in extended families and they want nothing more for their children than that they should lead rich, fulfilled lives.

The survey, the first of its kind, was conducted by the *Prime Ministers' office* among some 3,000 adults to explore feelings about family life, parent-child and husband-wife relations.

Three out of four responded, and their answers indicate the resilience of some Japanese living patterns but an erosion in parents' driving ambitions for their children.

Nine out of 10 said they were happy with their family life (86 per cent of the respondents were married), and 60 per cent said they preferred to live in a three-generation extended family.

Stereotyped roles for men and women remain strongly ingrained, with 87 per cent believing the man's main role is to earn a living, and 90 per cent saying that women's first responsibility is keeping house.

It is in attitudes to children that change is occurring, according to the survey. Stories about excessive demands on school children, not to mention the dreariness of the average salaryman's life, *may be having some* impact.

Nearly a third of the respondents said they wanted their sons to lead rich, happy lives, while only 5 per cent wanted sons to gain high social positions.

Some people are rather suspicious of these findings and wondered if those interviewed were simply being typically polite and providing the answers they thought were wanted. Moreover, there may be some hypocrisy in the responses about children, with *parents preferring not to* admit that they are pushy.

Australian employers toughen their stance

BY RICHARD HUBBARD IN CANBERRA

A DISPUTE over work practices in the far north west of Western Australia has become the focus for a major push against union power by employer groups eager to force radical changes to the country's centralised industrial relations system.

The employer groups, linked under the general title of "The New Right," want the deregulation of the labour market and an end to the Conciliation and Arbitration Commission and its system of wage award which has dominated industrial relations.

The rallying point for this new right push has become the Rode River iron ore mine, owned by Peko-Wallsend.

The Rode River dispute began when Peko-Wallsend gained a majority interest in the mine in July and sent in its own management team led by the company's chief executive, Mr Charles Copeman.

The team sacked existing senior management and withdrew from work practices established over many years at the site.

When unions refused to acept the new conditions the company sacked the entire workforce of about 1,160 and then rejected the orders of the West Australian Industrial Commission to reinstate the miners.

The attempt to restructure work practices, which were claimed to have led to overmanning and inefficiency, through such a forceful repudiation of the statutory industrial relations system, won management the support of hardline employers across the nation.

These employers and their representative bodies, such as The Australian Chamber of Commerce, the Australian Employers' Federation and the Confederation of Australian Industry, have become increasingly radical in their demands for change to the industrial relations system, because they see the Labor Government's accord with the trade union movement shifting the balance of power heavily against them.

Material circulated by one employer group states: "Powerful and often lawless trade unions have dominated the industrial scene in this country for years. Businesses have floundered in the conciliation and arbitration commission and state arbitration bodies over this period.

"We are exploring much stronger mechanisms of protection including common law actions in the Supreme Court and actions under the Trade Practices Act through the Federal Court of Australia."

Mr Bob Hawke, the Prime Minister, accused Mr Copeman of inviting chaos in Australia's industrial relations system through his action and branded a right-wing organisation of which Mr Copeman is a member as "political troglodytes and lunatics."

Mr John Dawkins, the Trade Minister, described Peko's moves and the actions of those currently trying to disrupt industrial relations as "treasonable moves."

Mr Dawkins is particularly incensed at Peko's actions because of iron-ore's role as a major Australian export.

Row grows over Sri Lanka TV debate plan

By Mervyn de Silva in Colombo

A CHALLENGE by Mrs Sirimavo Bandaranaike, former Prime Minister of Sri Lanka, to President Junius Jayewardene to meet her in a face-to-face television debate on the Government's offer of provincial autonomy to the separatist Tamils has developed into a bitter personal duel.

At a weekend rally, Mrs Bandaranaike said: "Surely the all-powerful President is not scared of a mere woman?" Her sarcasm has infuriated the Colombo establishment in a notoriously male-dominated society

Mrs Bandaranaike had earlier been invited to participate in a televised discussion with other opposition leaders. Intervening in the controversy, Mr Ranasinghe Premadasa, the Prime Minister, suggested that parliament was the best forum and invited Mrs Bandaranaike, whose civic rights were restored in January after five years, to rejoin parliament.

"I don't wish to debate with other opposition leaders or even with the Prime Minister," Mrs Bandaranaike responded. "My battle is with Mr Jayewardene."

Mr Jayewardene is an excellent debater in English but less so in Sinhala, the official language. Mrs Bandaranaike insists on a debate in Sinhala.

Moscow works to achieve bigger role in Mideast

BY TONY WALKER IN CAIRO

THE PRESENCE of no fewer than three senior Soviet envoys in the Middle East in the past week underlines Moscow's apparent determination to play a more assertive role in the region.

Moscow's strategy seems aimed at convincing moderates such as Egypt and Jordan, both of which are close to the US, that they have nothing to fear from a more active and flexible Soviet Middle East policy.

At the same time, Moscow is taking care to reassure its allies among hardline Arab states, such as Syria and Libya, that its interest in playing an expanded regional role will not be at their expense. The Soviet Union is striving to achieve a delicate balance between the competing radical and moderate Middle East trends.

Soviet activity at present is mainly focused on trying to encourage a reconciliation among warring Palestinian groups, and at the same time pushing the case for an international conference on the Middle East. In the latter, Moscow has the support of moderate states such as Jordan.

These efforts coincide with a slide in US prestige in the region and a feeling among moderate regimes that Washington has abandoned hope of achieving a settlement to the Arab - Israeli dispute.

Mr Osama Al-Baz, political adviser to Mr Hosni Mubarak, the Egyptian President, told the Cairo weekly Al-Mussawar that it was "regrettable" that the US continued to oppose a Middle East peace conference.

"The Soviets . . . support the Arab position much more than the US," he observed.

The three envoys visiting the region include Mr Pyotr Demichev, the Soviet First Vice-President, who has been in Libya; First Deputy Foreign Minister Mr Yuri Vorontsov who went to Syria, Jordan and Algeria, and Deputy Foreign Minister Mr Vladimir Petrovsky who was in Tunisia, Egypt and Iraq.

Soviet regional standing appears to have recovered from the set-back it suffered over January's unseemly events in South Yemen, one of Moscow's principal clients, when thousands died in a bloody tribal feud that had ideological overtones.

Other indications of apparent Soviet interest in playing a more energetic regional role include:

The proposal by Soviet leader Mikhail Gorbachev that the five permanent members of the security council meet to to discuss peace in the Middle East.

● Consular level talks in Helsinki last month between Israeli and Soviet delegations. These may lead to further such contacts despite the abrupt end to the first meeting.

● Soviet support (it normally abstains) of an extension to the mandate for the United Nations Interim Force in Lebanon (Unifil).

● The meeting between Mr Mikhail Gorbachev, the Soviet leader, and Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, in East Berlin in April.

● The improvement in relations between Moscow and Tehran as evidenced by the meeting in Moscow last month between the Soviet Prime Minister Mr Nikolai Ryzhkov and the Iranian Oil Minister, Mr Gholamreza Aqazadeh.

Soviet concern about Middle East instability leading to superpower conflict is likely to have been heightened by the US bombing raid against Tripoli and Benghazi in April.

"The Middle East has become an arsenal of the most sophisticated weapons in the world," said Mr Petrovsky last week. "Previous experience shows us that the only way to achieve a just and peaceful solution is by convening an international conference."

Singapore court refuses bail application by Tan

BY WONG SULONG IN KUALA LUMPUR

THE SINGAPORE Appeal Court yesterday rejected an application for bail by Mr Tan Koon Swan, the prominent Malaysian businessman and politician, pending hearing of his appeal against a two year jail sentence imposed by the High Court last week.

The court's rejection of bail means that the Malaysian Chinese Association, the largest Chinese political party in Malaysia, has little choice but to accept Mr Tan's resignation as president when its central committee meets today.

Mr Tan has also resigned as managing director of three publicly listed companies which he controlled—Grand United Holdings, Supreme Corporation and Everpeace. Trading in these companies has been suspended since last December.

Mr Tan, however, has not resigned his seat in the Malaysian parliament. This is seen as tactical, since his resignation would force a by-election in which the MCA, which lost heavily in last month's general elections to the opposition Democratic Action Party, is likely to be humiliated again.

Singapore's Chief Justice, Mr Wee Chong Jin, sitting with two other judges, said it was the practice to refuse bail once a person was convicted and there was no reason to make an exception for Mr Tan. Mr Tan's counsel had argued his client required bail as he was urgently needed to attend to his business and political affairs, including ensuring the implementation of a deal on forward share contracts with Singapore brokers.

Mr Tan was jailed for two years and fined S$500,000 (£156,250) after he had pleaded guilty to abetting criminal breach of trust in connection with stock market manipulation which led to the collapse of Pan Electric Industries, a major Singapore salvage, property and hotel group last December.

The Pan Electric crisis forced a three day closure of the Singapore and Malaysian stock markets. Fourteen other charges, some which carry a life sentence, were withdrawn against Mr Tan, whose appeal against the jail term is expected to be heard in October.

WORLD TRADE NEWS

Britain's 'aid and trade' budget boosted by £21m

BY CHRISTIAN TYLER, TRADE EDITOR

BRITAIN'S "aid and trade" budget is being increased by £21m to £90m this year, the Government announced yesterday.

The exceptional increase is to cover the largest ever single grant from the budget, a £60m allocation made last week to subsidise a contract awarded to Biwater, a private water engineering company, for a £400m-plus piped water scheme in Malaysia.

Announcing the increase, Mr Timothy Raison, Minister for Overseas Development, said the extra money would come out of existing funds, but would not be at the expense of the rest of the aid programme.

It would make good a shortfall in aid and trade spending caused by delays in negotiations for the Malaysian contract, the initial allocation for which had been used elsewhere.

Mr Raison said the increased funds would allow a downpayment on the Biwater contract and other projects already planned this year.

The government's aid and trade provision, set up to match credit competition for commercial projects in developing countries, is already being increased from £69m in the present financial year to £76m next year and £86m the year after.

Large British contractors have lobbied hard for extra funds and a faster response time to meet what they say is cut-throat competition from other governments, especially the French and Japanese, in a buyer's market for major projects.

Separate soft loan schemes have been set up to promote British exports to China and Indonesia and discussions are continuing with India, already a large beneficiary of tied aid from the UK.

The aid and trade provision has traditionally been used alongside export credits in so-called mixed credits where the two elements of the financing are separate.

The soft loan, by contrast, uses public funds to subsidise the export credit loan directly, to produce a very low interest rate. This is said to be more acceptable to countries who resent aid hand-outs.

In the case of the Malaysian contract, although a conventional mixed credit, the effect was to reduce the cost of the loan package to little more than 1 per cent.

French and Japanese in microwave oven venture

BY CARLA RAPOPORT IN TOKYO

THOMSON GROUP of France and Toshiba of Japan are coming together to compete in Europe's buoyant microwave oven market.

The new company, the latest in a string of Euro-Japanese joint ventures, will build a Y1.5bn (£4.5m) microwave oven plant in Southwest France with a projected annual output of 300,000 units a year. The company, Cefemo, will be 51 per cent owned by Thomson and 49 per cent by Toshiba.

Toshiba said yesterday that the new plant would help meet the growing demand for microwave ovens and "improve the balance of trade for this product in Europe."

A number of Japanese electronics companies fear that microwave ovens will be the next product investigated by the EEC for alleged dumping by Japanese companies. Last week, Brussels imposed a 15.8 per cent anti-dumping duty on Japanese photocopiers.

Toshiba plans to produce photocopiers in France by the end of this year, in a joint venture with Rhône-Poulenc, the French chemical group.

Toshiba currently exports between 300,000 to 400,000 microwave ovens to Europe. The company said yesterday that European demand for the small ovens would increase by 60 per cent over the next four years to 5m units by 1989, compared to 3.1m units this year.

The Japanese company at present accounts for about 10 per cent of the worldwide microwave oven market, with plants in the US, UK and Japan.

Cut in key markets is putting premier's strategy at risk, David Barchard reports

Turkey hits trouble over Mideast exports

"OUR PROBLEMS with Iran and Iraq can be summarised under four headings. First, they are close to bankruptcy and have no cash. Second, they have no spare workforce because of the Gulf war. Third, their industrial sectors are very underdeveloped and don't really have much to offer Turkey. Fourth, they are very seriously over centralised in their procurement and export services and nobody knows exactly what is going on."

The views of one Turkish exporter bluntly show Antiana's troubles with its warring trade partners, but its troubles in the Middle East markets are not confined to Iraq and Iran. The fall in the oil price has reduced demand throughout the region, though exports to Libya picked up slightly this spring, most Turkish businessmen have few illusions that the Libyan market is gradually slipping away from them. Exports to Saudi Arabia have fallen sharply.

The loss or reduction of these key markets puts at risk the economic strategy of Prime Minister Turgut Ozal, which started after 1980 with a drive for export-led growth. The drive focused on developing new markets where Turkey had a geographical advantage.

Several of Turkey's neighbours, indeed, found in the early 1980s that Turkish industrial goods had a substantial price advantage over their European competitors, and Iran, which under the Shah had been a military ally of Turkey but an insignificant trading partner, became its chief market.

In 1983 19 per cent of Turkish exports went to Iran, and about 6 per cent to Iraq, while 14 per cent of Turkey's imports, almost entirely crude oil, came from Iran, and 10 per cent from Iraq. For the past two years, Iran and Iraq have continued to take about a quarter of Turkey's exports between them, although the Gulf has meant changes in the terms.

Trade with Iran was conducted on a barter basis against crude petroleum. For Iraq—a country with which Turkey has much stronger and older links than with Iran—the central bank offered first "delayed payment facilities" and later outright credit.

In November last year, however, Iraq announced that it was unable to keep up with its payments. The amount involved is put by the central bank at around $1.2bn. Some Turkish businessmen say the total figure was originally rather higher, perhaps as much as $1.8bn.

With Turkey painfully traversing two "hump years" in its foreign debt repayment schedule, the consequences of Iraq's non-payment have been extremely serious. The central bank has been obliged to force commercial banks to deposit a large slice of their foreign currency reserves with it—originally 20 per cent, lowered last March to 15 per cent.

This has helped the central bank meet its own external payments commitments, but has created a chronic scarcity of foreign exchange for the private sector. For the first time for more than half a decade, there have been appreciable delays on import transfer payments.

Turkey's unpaid trading arrears from Iraq do not show up in the country's balance of

Mr Turgut Ozal . . . drive for new markets

payments statistics. Mr Yavuz Canevi, central bank governor, says: "It is not a default. Our relationship is still continuing and we are buying oil from Iraq though we are not paying cash in return. We simply deduct from our receivables from Iraq.

"We might have a problem if we kept sending goods to Iraq and the balance went higher and higher. Our main concern today is to stop the outstanding balance from growing and to reduce it if possible."

Iraq's trading difficulties make it seem unlikely that the Bekme dam, a $1.5bn project to be built by a Turkish, US and Yugoslav consortium, can go ahead in the foreseeable future. One British banker said: "Talk of these sorts of projects is essentially a morale boosting exercise which the Iraqi authorities engage in from time to time. It has little relation to real financial possibilities."

In July, the then Undersecretary of the Treasury and Foreign Trade, Mr Ekrem Pakdemirli, visited Iraq to see whether new terms could be negotiated for Iraq's backlog of debts to Turkey. Iraq had been asking for 24 months credit terms until the second oil pipeline linking it to Turkey was completed.

The Turkish central bank is not authorised to issue papers with a maturity of more than 12 months and in any case Turkey's need for hard currency prevents it from seeking anything except short-term solutions.

Mr Pakdemirli returned with a compromise that seems to have satisfied neither side. Half of Iraq's existing debts were rolled over for another 12 months, when they will presumably be paid in cash. Of the remaining 50 per cent, 45 per cent will be paid in crude oil purchases, and only 5 per cent in cash—and that in monthly instalments.

"This sort of agreement does not permit the opening of new letters of credit to Iraq," says Mr Murat Vargin, head of Penta, one of Turkey's leading export houses. "In practice if not in theory. We are only doing business with Iraq now on the basis of some old letters of credit we possess."

It is not yet inevitable that these important export markets are lost, however. Figures for the first four months of this year before the halving of the oil price show that Iran bought 12 per cent of Turkey's exports and supplied 3 per cent of its imports, while Iraq bought 11 per cent of exports and supplied 9 per cent of imports. Later figures are likely to be worse, but the rise in the oil price, following the recent agreement arranged by Iran, at the recent Geneva Opec meeting provides a chink of light further down the tunnel.

"I think it will be hard for Turkey to export $500m-worth of goods to Iran this year," says Mr Vargin. "The Iranians can only import if they export. They are pressing us to buy things other than oil, but what is there? Caviar maybe, some pistachio nuts, shoes, and so forth. These kinds of imports are often difficult for us to sell in local markets. The situation in Iraq is comparable. On the best estimate, trade looks like taking a major dip."

Turkish exporters feel that they are also being defeated by some of their European competitors who will offer credit terms of up to 18 months. "We simply cannot compete if a Dutch company offers 18 months credit for eggs," says another Istanbul exporter.

But a Dutch diplomat comments "The Netherlands has always survived and made a living by moving into markets like Iran and Iraq where the bigger countries have had to pull out. Those are the opportunities we are looking for."

The result is that Turkish businessmen are looking increasingly to markets either in the Far East, where it is recognised that opportunities must be limited, or pressing for more access to European markets.

The sense that Turkey's ultimate interests lie with the EEC, which takes about 40 per cent of its exports, has undoubtedly been reinforced by her troubles with the windfall markets of the early 1980s.

Zambia sets out plan to repay trade creditors

By Christian Tyler

DETAILS of Zambia's proposals for repaying its overseas trade creditors have now been issued in an offer document from the Bank of Zambia.

The bank has confirmed its proposal to issue promissory notes for the estimated $430m (£290m) of short-term trade arrears and personal remittances. The largest proportion of the debt is owed to UK creditors.

Principal will be repaid from next year until 1996, with the smaller claims being settled first. Interest on the promissory notes will be paid after the principal, at a rate of 5 per cent. Those awaiting remittances will also get priority.

Repayment will be based on the dollar value of debts as the beginning of last year, according to Morgan Grenfell, the London merchant bank that has been advising the Bank of Zambia.

The proposal has been structured so as to keep the rescheduling within Zambia's limited financial means, but also to give priority to claimants suffering the most hardship, bankers said.

Iraq to pay Italian debts with oil

TWO Italian companies are to be supplied by Iraq with crude oil as payment for debts of $180m (£121m) arising from work carried out in the early 1980s, Reuter reports from Milan.

A spokesman for Montedison, which helped arrange the deal, said that Selm Spa, the energy subsidiary of Montedison, has agreed to refine and distribute the crude delivered to the two concerns—Gruppo Industrie Elettro Meccaniche Per Impianti All 'Estero and Societa Attrezzature Elettromeccaniche.

HK-Canada talks

HONG KONG is to hold a second round of talks with Canada on the British colony's textile exports to that country, Reuter reports. Delegates will meet in Ottawa today

Greek-Soviet alumina accord

BY ANDRIANA IERODIACONOU IN ATHENS

A MAJOR obstacle in the way of a $450m (£304m) Greek-Soviet alumina plant project appears to have been overcome after the Soviet Union agreed in principle to take the plant's full projected 600,000-tonne alumina production.

The plant would represent one of Greece's single largest industrial investments, and will use Greek bauxite and employ about 650. Its location, in the bauxite producing area of Phokis near Delphi, has drawn sharp protests from environmentalists.

Under the original Greek-Soviet agreement on the project, which has been under negotiation for about eight years, Moscow was set to take about two-thirds of the plant's annual production — 380,000 tonnes of alumina—for 10 years, while 200,000 tonnes making up most of the balance were to be bought by Bulgaria.

In the past few months, however, the Bulgarian side, became nervous over its part of the deal, putting the entire project into jeopardy.

According to a Greek announcement after talks in Moscow last week, the terms of the purchase of the additional 200,000 tonnes of alumina by the Soviet Union remain to be negotiated.

A deadline of the end of October has been set. Previous negotiations on the price to be paid by the Soviet Union for the originally agreed two-thirds of the plant's productions lasted five years.

EEC cool over Moscow bid to join Gatt talks

BY QUENTIN PEEL IN BRUSSELS

THE Soviet Union yesterday sought the backing of the European Commission for its request to take part in the new round of negotiations to liberalise the General Agreement on Tariffs and Trade (Gatt) — and received a non-committal response.

Mr Sergei Nikitin, the Soviet ambassador to Belgium, presented a copy of his country's request to the Gatt to Mr Willy de Clerq, the European Commissioner responsible for trade relations.

The Soviet request is to participate in the new round — due to be launched in Punta del Este, Uruguay, later this month — to help make up its mind whether to seek eventual full membership of the agreement.

Mr De Clerq insisted yesterday that any decision on the Soviet move was up to all the contracting parties of the 92-nation agreement, and the text they approve in Uruguay.

AMERICAN NEWS

Stewart Fleming in Washington reports on the economic dangers posed by America's borrowing binge

Alarm bells ring over US debt explosion

THE BORROWING binge which the US has been on since the beginning of the decade as, first, the federal government and, then, the man in the street loaded up with new debts has helped to lift the American and world economies out of a crippling post-war recession.

But a growing number of officials and economists are worrying that the debt build-up which stoked the fires of economic recovery could be getting out of control. Alongside the threat of rampant protectionism, some see the debt explosion as a development which could trigger upheavals in the financial markets and a new worldwide economic downturn.

The raw data on the debt build-up as outlined last week at a conference organised by the Kansas City Federal Reserve Bank, is, to say the least impressive.

According to Mr Henry Kaufman, the Salomon Brothers economist, total debt in the US economy has rocketed since 1970 from $1.6 trillion (million million) to $8.2 trillion (£5.5 trillion) as the growth of private and public borrowing in the US surged from annual rates of just over 7 per cent in the 1960s to almost 12 per cent so far in the 1980s.

This acceleration has meant that after decades of relative stability, debt has suddenly begun to loom large on the economic horizon. An analysis published in a recent Federal Reserve Bulletin, points out that total domestic non-financial debt has risen from 138 per cent of gross national product (GNP) in 1980 to 169 per cent of GNP in 1985.

This period has been marked by the collapse of Continental Illinois, one of the country's 10 largest banks, a continuing effort to paper over the insolvency of scores of savings institutions, and a flood of bank failures which, under the impact of deflation in the farm, energy and property markets, shows no sign of abating.

According to Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC), the bank supervisory agency which bears the brunt of protecting small and large bank depositors from losses when banks fail, 1,411 of America's 14,000 commercial banks are now on the FDIC's problem list.

Last week bank failures this year reached 100 and the FDIC expects the total to hit 150 by year-end, up from 120 in 1985. The banks which are failing are getting larger, too, Mr Seidman says.

Academic economists, such as Mr Ben Friedman, Professor of Economics at Harvard, see the rising debt ratio in the US economy and high levels of

W. P. Cooke—pressure on

John Heimann—weaker banks

consumer debt delinquencies and business failures, as evidence that more individuals and companies are finding the burden of their borrowings unsustainable.

He fears that the next US recession will be accompanied by greater financial instability as a result of the debt overhang, and that, in its efforts to avoid triggering a shake out, the Federal Reserve will be more tolerant of inflation.

Others dismiss such fears, arguing that the debt build up is merely a continuation of an acceptable sustained upward trend in borrowing by the private sector. This has now had superimposed on it a build up in federal debt which, throughout most of the post-war period, had been falling as a percentage of GNP from its wartime peaks.

This is the view of Mr Lawrence Summers, a Harvard economist, who points out that increased borrowing in the consumer sector has been accompanied by increases in the value of consumer assets and that, therefore, the threat of major defaults because of debt burdens is exaggerated.

He worries mainly about the problems created by the build up of Government debt as a result of the huge federal budget deficit.

Other economists who doubt that a debt time bomb is ticking argue that many of the strains visible today are not related to the recent debt build up, but are the aftermath of the inflationary economic policies of the 1970s and the disinflation that the Fed set in motion in 1979.

The statistical games econometricians play scarcely seem relevant to the ominous interactions evident in the financial markets between rising debt, financial innovation, the globalisation of the world's financial markets and the fact that bank regulators and supervisors are unable, effectively, to play their appointed rôle of encouraging financiers to behave prudently.

As Mr John Heimann, the former comptroller of the currency, said at last week's conference, commercial banks are weakening themselves by marketing in return for a fee their best assets through the "securitisation" of the lending process. The fact that they are only earning fees, moreover, adds to the incentive to increase credit because, as Mr Kaufman points out "the driving force behind profit generation is credit growth."

Selling securities rather than loans is also creating the illusion that credit risk is being reduced because the instruments are marketable. Moreover it is a global illusion. Interest rates and currency swaps mean that the credit risk is being dispersed internationally and is creating uncertainty about who is ultimately responsible for liabilities being traded.

The problems of financial market regulators are compounded when new types of financial conglomerates in the US create so-called "non-bank banks," which the authorities have no legal right to monitor. The Federal Reserve would love to block the recent proposal by the Sumitomo Bank of Japan to take a 12 per cent non-voting stake in Goldman Sachs, the Wall Street securities firm. But it has no legal authority to do so.

"Credibility and confidence in (financial market) regulation is important to stability," says Mr Peter Cook, associate director of the Bank of England. But at the moment, he says, "the bank regulators cannot deliver internationally." They have no legal authority to demand or implement the required changes in bank regulations and modes of supervision.

Jamaica takes tough line in IMF talks

By Canute James in Kingston

JAMAICA has "deliberately" built up payments arrears of $70m (£47m) with the International Monetary Fund (IMF) as part of a strategy for negotiating a new three-year agreement with the Fund, according to Mr Edward Seaga, the Prime Minister and Finance Minister.

In what appeared to be another chapter in the island's uncomfortable relations with the IMF over the past decade, Mr Seaga said if talks with the Fund this week are not concluded, Jamaica will have to pursue a "contingency programme."

Mr Seaga, heading a delegation to Washington this week to meet with the Fund, said nothing of the 20-month agreement under which Jamaica was getting credits of $118m. The agreement expires next April, but bankers in Kingston said the suggestion of a new package meant Jamaica had abandoned the existing facility.

Since 1981 the island has had access to several credit packages totalling just under $1bn, but Mr Seaga now says, he has no intention of allowing Jamaica to be ". . . added to the tombstone of IMF failures."

The Prime Minister announced in May that he had rejected proposals from the IMF, the World Bank and the US Agency for International Development for further economic austerity, including currency devaluations. He said he had prepared a contingency programme to counter any insistence from these agencies that their recommendations be implemented.

The programme, he said, included increased investments, increased divestment of state-owned economic enterprises, reduced interest rates, a stable exchange rate and reduced.

The Prime Minister is known to have been growing increasingly concerned at the failure of IMF policies to get the Jamaican economy out of an economic tailspin. Gross domestic product declined by 3.7 per cent last year, but Mr Seaga introduced an expansionary budget in May, forecasting growth of 5.5 per cent this year.

Mr Seaga said he would be "tough" in this week's IMF talks and would not allow the Fund to change his administration's policies.

Brazil bank employees threaten to go on strike

By Ann Charters in Sao Paulo

BRAZIL'S 400,000 bank employees have threatened to begin an indefinite national strike on September 11 if their demands for a 26 per cent wage package are not met.

The decision, taken at the weekend, represents a direct challenge to the Government which is resolved to keeping the lid on prices and wages in order to curb inflationary pressures.

The strike call comes just as the country's political parties are building up for state and national assembly elections which will take place in two months. This will be the first strike in recent months that would affect both government and private institutions across the country.

Bank employees requested the big salary increase to catch up with purchasing power they claim they lost when the unions did not stage a strike last March.

At the time the government Cruzado plan froze salaries after an 8 per cent increase for all workers effective from March 1. Union demands now include an additional real increase of 10 per cent, plus guaranteed employment. They also include a demand for a cost of living adjustment, based on a consumer price index which includes the effects of recent surcharges on fuels and travel.

Private and state banks represented by the Brazilian Federation of Bank Associations (Febraban) offered salary increases of between 5.5 per cent and 6 per cent.

Febraban said that the bank's proposal is the maximum that state and private banks can afford, given that they are still adjusting to business under the Cruzado plan. Six months ago the Government came up with sweeping economic measures including a new currency, the Cuzado, and a de-indexation of the economy. This resulted in drastic cuts in ban krevenues from operations linked to inflation which was then running at 500 per cent annually.

Since the Cruzado plan took effect banks have closed 1,000 branches and dismissed 81,000 employees, according to Febraban figures to the end of June.

The union demands were publicised with marches by an estimated 50,000 employees through downtown Sao Paulo last Thursday

Americans ponder space station laws

BY PETER MARSH IN LONDON

AMERICAN arsonists who practise their crime on US-owned space stations had better watch out.

Arson in outer space, along with receiving stolen property, malicious mischief, false pretences and murder, is among 12 criminal activities which – as long as they are committed by a US national – come under the jurisdiction of federal courts.

Any US astronaut who violates even the most innocuous order from the National Aeronautics and Space Administration can, under US law, be fined up to $5,000 and incarcerated for a year.

However, the position is far less clear if, for example, a Japanese scientist assaults an American colleague while the two are engaged in technical activities in an orbiting outpost.

As for commercial rights over inventions such as exotic alloys or drugs which scientists might produce in extraterrestrial workshops, patent experts are still confused as to the set of legal codes which will apply.

These points are not as academic as they might seem. The US is discussing with Japan, Canada and 11 European nations a scheme to build an international manned space station by the 1990s.

With the final go-ahead for the scheme due next year, governments are now waking up to the fact that special laws may be needed to regulate activities on the station.

The Office of Technology Assessment, a research body of the US Congress, has dived into the issue with a 76-page memorandum on the subject.

"Current international space laws are little more than agreed fundamental principles," says the office. "No efficient mechanisms exist for applying these principles to specific cases."

The report warns that uncertainty over issues such as product liability, intellectual property rights and export laws could inhibit companies from starting up innovative activities on the space station, in research into new materials, for example.

One obvious answer is for the US, which suggested the space station in the first place, to draw up its own space code and expect the other nations to comply with it.

"Such a solution may be politically unacceptable to the other space station partners," says the report. If the US pressed ahead with such a course of action, the other participants could leave the discussions about the base altogether, the office warns.

In criminal law, an effective way to proceed may be to establish agreements between the US and the other nations to permit courts in individual countries to try cases relating to specific crimes.

Such agreements would be similar to those already reached under international maritime law.

For tort and patent laws, new codes may need to be painstakingly worked out – a process which would keep lawyers busy for decades and which could constitute a brand new source of fees for the world's legal profession.

Space Stations and the Law: Selected Legal Issues, Office of Technology Assessment, Washington DC 20510.

California set to admit outside banks

CALIFORNIA law-makers have have passed legislation that will open the state up to intestate banking in the western US next year and the remainder of the country by 1991, Reuter reports from San Francisco.

Under two companion bills passed by the legislature, banks in 11 western states can begin operations in California next July and the remaining states will be able to do so by January 1 1991.

The California law, however, would require reciprocal agreements with each of the states.

Governor George Deukmejian is expected to sign the measures into law in the near future. Major New York banks have lobbied for seven years for the right to enter the deposit-rich California market.

TRADES UNION CONGRESS AT BRIGHTON

Labour welcomes union backing for ballot law

BY PHILIP BASSETT, LABOUR EDITOR

LABOUR Party leaders claimed last night that the party's general election chances had been increased significantly by the Trades Union Congress (TUC) voting substantially in favour of a new employment law package including ballots on strikes.

The TUC, meeting in Brighton for its annual Congress, also carried a resolution supporting the print workers in their dispute with Mr Rupert Murdoch's News International over its plant at Wapping, east London. But TUC leaders regarded the outcome of the day as satisfactory, likely to improve both the public image of trade unions and Labour's prospects.

Labour leaders said they were "very pleased" at the law vote and regarded the decision on Wapping as a purely internal union matter which would have no bearing on the party's electoral fortunes.

Mr John Prescott, Labour's employment spokesman, said: "The fact that we have an agreement is a good step forward – and one on which we will go to the electorate and convince it of the justness of our case and our unity of purpose."

Even Mr Kenneth Clarke, Paymaster General and the Government's House of Commons employment spokesman, who is attending the Congress – the first Conservative Cabinet minister to have done so – said that, while the TUC normally did not achieve unity, "this year they have on this issue."

But he regarded the new law package, which provides for extensive individual rights as well as balloting, as a "fig leaf" which would be unenforceable. The bland agreement was designed to signal to the public good health for Labour and the TUC. But in fact, he said, "they are repealing the law on ballots and replacing them with nothing worthwhile."

The importance of the decision was emphasised by Mr Norman Willis, TUC general secretary, in a speech widely regarded as much more successful than his poor performance on major issues at last year's Congress.

Describing the vote as a "historic decision," he saw it as "fundamental to the standing of the trade union movement in the eyes of our members and the wider community."

Urging delegates to "face the future," Mr Willis denied that the package was a "cynical pre-election deal. Balloting is here to stay – because our members favour it." Failure to carry the policy, he said, would have "disastrous consequences for the credibility of the partnership that is central to the prospects of a new Labour government."

Mr Willis was much less successful in his speech on the News International dispute. A resolution from the NGA print union, highly critical of the role over Wapping both of the TUC general council and of the EETPU electricians' union, was carried by 5.8m votes to 3.1m.

About 5,500 print workers have been sacked in the Wapping dispute, and the print unions have accused EETPU members of co-operating with News International

Mr Tony Dubbins, NGA general secretary, said the vote was a "major boost" to the dispute, and Ms Brenda Dean, general secretary of the print union Sogat, said that she was "delighted" with the vote. She said that, despite the criticism of the EETPU, all five unions involved would work together in forthcoming negotiations on the issue.

Mr Willis indicated clearly that the Wapping vote would make little practical difference to the dispute, or to action taken by the TUC earlier this year against the EETPU. He said: "You can't try people for the same offence twice. It's as simple as that."

Senior trade unionists and Labour Party figures yesterday launched a new organisation to campaign for a Labour Party victory at the next general election. The organisation aims to help to raise the £5m the party needs for its campaign.

Trade Unionists for Labour will be led by Mr Bill Keys, who helped many unions to organise their political fund ballot. Mr Larry Whitty, general secretary of the Labour Party, said the party needed more money to broaden its campaign in the run-up to the election.

Caution urged over electoral accord

MR KEN GILL, the TUC president, used his opening address to Congress to attack the Government's record on jobs and industry. But he warned the movement to tread carefully in building an electoral programme with the Labour Party, Charles Leadbeater writes.

Mr Gill said that in the last year the tide had turned against the Government, following the Westland affair. However, the downturn in the Government's fortunes started during the year-long miners' strike. Mr Gill said the union movement had a debt to the miners which it must repay.

Warning delegates against concentrating too much on debates about industrial relations laws, he said: "The provision of the most advanced portfolio of individual rights will be no substitute for the restoration of full employment. Job security is a priority."

He continued: "We as a trade union movement have a heavy responsibility. Our relations with the Labour Party and the Government are of utmost importance."

Mr Gill said the unions had not constructed the right relationship with the Labour Party in the past.

He warned: "The union movement does not want a government which imposes wage restraint. We do not want trade union procedures under legal restraint, and we do not want the social wage restraint."

However, he predicted that, if a Labour government took power with a programme of progressive reform, workers would respond when framing their economic demands.

"We must have a partnership. Unity does not consist in rubber-stamping every proposal presented by Labour leaders and vice versa," he said.

GCHQ review rejected

UNIONS representing the majority of the 50 trade union members at government communications headquarters, GCHQ, have come out against co-operating with the Government's offer of a review of the penalties imposed on some union members there, David Brindle writes.

This became clear yesterday when the policy committee of the Council of Civil Service Unions meeting in Brighton, failed to agree a common line on the offer.

The Society of Civil and Public Servants and the Civil Service Union, which together represent the bulk of the 50 unionists, said their members were against co-operating with the proposed three-man appeals tribunal because they did not recognise union membership as a disciplinary matter.

Two other unions, the Civil and Public Services Association and the Institution of Professional Civil Servants, are believed to be in favour of lodging appeals. But the CCSU is reluctant to go ahead without majority support.

The penalties – pay deductions of up to £2,100 over two years – are being imposed by GCHQ management on 18 staff who joined or rejoined unions after the ban on union membership was imposed at GCHQ in 1984.

Workers at ICI vote to accept pay offer

MANUAL workers at Imperial Chemical Industries (ICI) have voted against taking industrial action over pay in the first national strike ballot in the company's history, Helen Hague writes.

In secret ballots conducted by six unions, workers at ICI voted by a majority of just under 2-1 to accept the company's 5.3 per cent pay offer.

Despite the heavy vote for acceptance, national union negotiators believe the willingness of nearly 8,000 ICI workers to take industrial action will be a warning to the company. The unions argue that the vote indicates a significant showing of pay-based militancy in a company renowned for its relatively strife-free industrial relations.

Discussions on increased flexibility and changes in working practices are expected to begin now that the pay claim is settled.

The results of individual union secret ballots conducted by the Transport and General Workers' Union, the General, Municipal and Boilermakers Union, the Amalgamated Engineering Union, the electricians union EETPU, the white-collar union Tass and the construction workers' union Ucatt were collated to produce an overall majority in favour of acceptance. The union negotiating team announced the result in Brighton yesterday.

In total, 13,810 workers voted to accept the pay offer against 7,905 prepared to take industrial action

Film industry seeks tax aid to boost ailing production

BY RAYMOND SNODDY

THE BRITISH film industry is mounting a campaign to try to persuade the Government to introduce special tax allowances and fiscal incentives to stimulate British film production.

A new appeal has been sent to the Treasury and to Mr Geoffrey Pattie, Department of Trade and Industry Minister responsible for the film industry, following a fall in the level of film studio bookings.

The British Film and Television Producers Association, the employers' organisation, believes that the loss of capital allowances and the Eady Levy on cinema admissions has made the UK significantly less attractive to film makers.

BFTPA estimates film production in the UK this year will probably be only half the average of the past three years. This represents a reduction of some 20 productions and a lower investment of about £150m.

The organisation has commissioned research from accountants Arthur Young which shows that film-making incentives are now more attractive in a wide range of countries than in the UK. Arthur Young argues that the present tax structure in the UK fails to recognise the unusual nature of the industry or the high risks involved, with only one in 10 theatrical films achieving commercial success for the producer.

The main problem is that the main income flows from a film normally arise over a short period following release but expenditure comes months and possibly years earlier.

Arthur Young believes producers of British films should be able to write off 60 per cent of costs between the start of production and the date of first release. A further 30 per cent should be written off in the first year after release and the last 10 per cent in the following year.

Under the present British regime 25 per cent of a reducing balance can be written off each year. This means that it can take five years before 75 per cent of the costs are allowed. Arthur Young also believes that individuals should be able to deduct investments up to 25 per cent of income, as in France, rather than the present £40,000 ceiling

Such a scheme should also be extended to corporate investors, allowing them to deduct perhaps 50 per cent of the amount invested as tax relief.

The Arthur Young study of tax allowances and fiscal incentives in other countries shows that:

- In Germany production costs may be written off as incurred and resulting tax losses carried forward against future income.
- In Canada investments in Canadian films may be written off up to a maximum of 50 per cent in the first year and the balance in the second.
- In the US an investment tax is available to reduce tax liability on a dollar-for-dollar basis.

Funding 'must stay' for basic research

BY DAVID FISHLOCK, SCIENCE EDITOR

A VIGOROUS attack upon those who want to channel funds for basic research into applied research was launched last night by Sir George Porter, president of the Royal Society.

Sir George, in his address as this year's president of the British Association for the Advancement of Science, opening its annual conference in Bristol, said the Government was quite right to emphasise the need for science to contribute to the prosperity of Britain.

The activities of science should be linked more closely to innovation and productivity, he said. More applied research, more engineers and more scientific entrepreneurs were urgently needed "to provide the new industrial revolution which will put our country back in the first league."

But where some political leaders had to be challenged was when they suggested that applied research was an alternative to basic research and advocated that scientists should "mend their ways" and refocus on applied science.

"To feed applied science by starving basic science is like economising on the foundations of a building so that it may be built higher," Sir George said. "It is only a matter of time before the whole edifice crumbles. And those foundations that are being skimped include scientific education as well as basic research."

Sir George acknowledged that Britain was spending more on supporting a single scientific instrument at Cern, the European laboratory for particle physics near Geneva, than it spent on all its own opera houses.

It might be hard to justify on purely cultural grounds, he said. But the justification lay in the argument that support of basic science was essential for Britain's industrial prosperity. "Without such prosperity nobody could afford to go to the opera anyway," he said.

Addressing the question of who should pay for both basic and applied science, Sir George said most industrialists would probably agree that it was industry's duty to do its own applied research and development and that industry could best do it because it knew the market and the competition.

But the results would not become public knowledge, Sir George said. "There is little incentive for an industrial company to do basic research which is immediately published for its competitors."

- About 45 people in the UK could be expected to die prematurely as a result of the nuclear radiation received after the Chernobyl explosion, the National Radiological Protection Board has calculated, Max Wilkinson writes.

Mr Michael O'Riordan, head of radiological measurement for the board, told a special meeting of the British Association that an additional 110 people in Britain might be expected to contract non-malignant tumours over the years as a result of the accident.

Successful Roadrunner changed by Leyland

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND Trucks has made major changes to its best-selling Roadrunner range which, since its launch two years ago, has helped the state-owned company regain truck market leadership from Ford.

The company claims the new Roadrunner has the lowest operating costs of any 7.5-tonne truck available in the UK. "That alone will prove a major selling feature," said Mr Rod England, marketing director, yesterday.

The most significant difference in the new Roadrunner is that it uses the Leyland 300-series engine, a version of the Cummins B power unit made to Leyland's specification by the US group in its UK factory at Darlington, in north-east England.

The Leyland 300-series is a 5.9 litre, straight-six diesel engine used in naturally aspirated form at two different power ratings – 115 and 130 brake horse power.

To match the increased performance of the engine, Leyland has introduced front disc brakes on the new Roadrunner. The rear brakes have also been modified.

Power steering is now standard on all models, and sound insulation improvements have cut noise in the cab even further.

Although the Roadrunner range covers 6 to 10 tonnes, the most important model is the 7.5 tonner which competes in a sector accounting for 26 per cent of all trucks sold in the UK because it is the heaviest truck category that may be driven by the holder of an ordinary car licence.

While Roadrunner has enabled Leyland to regain the lead in the heavy truck (over 3.5 tonnes gross weight) market lost to Ford in 1977, it has not completely lived up to expectations.

Roadrunner ran into severe competition from a new Mercedes 7.5-tonner imported from West Germany by Daimler-Benz's wholly owned UK subsidiary.

China Daily launches in Europe

BY RAYMOND SNODDY

CHINA DAILY, the English language newspaper published in Peking, yesterday became the latest international daily to be available throughout Western Europe on day of issue.

The daily is being delivered from the Chinese capital to London by satellite and published in Europe by Mr Robert Maxwell, publisher of Mirror Group Newspapers.

Six thousand copies a day are being produced, 3,000 for the UK and the rest for 13 other Western European nations.

Mr Maxwell said yesterday: "We hope it will lead to increased trade and better understanding between our two countries and their political, cultural or business problems."

The main story in the first European issue of the China Daily, which began publication in China five years ago, features Chinese Vice Premier Li Peng predicting that much closer links will be established between China and Western Europe.

UK NEWS

NHS 'in serious danger unless spending rises'

BY ROBIN PAULEY

THE GOVERNMENT is seriously under-estimating the funding problems faced by the National Health Service and the service will be seriously endangered in some parts of the country unless expenditure rises significantly, doctors, nurses and managers said in a report to ministers yesterday.

The memorandum was sent to Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Norman Fowler, Social Services Secretary, by the Institute of Health Services Management, the British Medical Association and the Royal College of Nursing.

It was based on a report commissioned from York University's centre for health economics which outlines the pressures facing the NHS.

The Government has estimated that to maintain real expenditure within the service an extra 0.5 per cent a year has to be added to hospital and community health service spending to allow for technological change. In addition, the Government also accepts that an extra increase in funding of between 0.5 and 1 per cent a year is required to allow for demographic change.

But the report lists a number of other additional expenditure pressures which, it says, are adding to the NHS burden. They include increased community care, improving primary care, dealing with the growing number of cases of Acquired Immune Deficiency Syndrome (Aids) coupled with a prevention programme, and improving nursing education.

Some of the pressures are unevenly distributed – about three quarters of Aids cases are expected to be in the Thames regions, for example. The report says that pressure on hospital and community health services resources has been intense in recent years and the growth in such resources has generally been below that required, even allowing for efficiency savings.

"If the funding of the NHS is not augmented significantly, even with continued efficiency savings, then service provision is likely to be endangered in some parts of the country," it says.

The memorandum also draws attention to rising public concern over the NHS. It points to opinion survey results which show that more than two thirds of the population believe the present level of spending on the NHS to be inadequate "even when it is clearly understood that the consequence of greater spending would be higher taxation."

John Hunt reports on how politicians are responding to environmental concern

Parties jostle for the 'green' vote

THE UNVEILING of the Labour Party's proposal for the creation of a ministry for environmental protection provoked a swift response from Mr Nicholas Ridley, the Environment Secretary, over the weekend.

He saw no need whatsoever for such an innovation and argued that as Secretary of State he was already busily protecting England's green and pleasant land with the help of Mr William Waldegrave, Minister for the Environment and the Countryside, a post created by this Government.

"My department will continue to watch over the environment," he promised in tones reminiscent of the pledge by Mrs Margaret Thatcher, the Prime Minister, that the National Health Service "is safe with us."

Despite these bold words, many MPs fear that Mr Ridley's well known enthusiasm for free market forces make him a doubtful champion of environmental controls.

The publication of Labour's environment policy document last week has signalled the start of the race for the "green" vote in the run-up to the general election.

The emergence of the environment as a major vote-winning issue is not so sudden as it appears. Over the years a growing list of incidents has focused public attention – the Torrey Canyon accident and other oil spillages at sea, the row over siting the third London airport, the dumping of radioactive wastes and leaks from Sellafield, in north-west England, lead in petrol and stubble burning.

Internationally there has been the atomic scare at Three Mile Island in the US and the tragedy of the chemical leak at Bhopal in India. The disaster at Chernobyl in the Soviet Union was the final catalyst that brought all these strands together in the public mind.

For some time British politicians had kept a wary eye on the swift growth of the Green Party in Germany. They were alarmed when the British Green Party, formerly the Ecology Party, put up 480 candidates in the local elections in May and won their first two council seats.

It is estimated that membership of environmental groups in the UK now numbers more than 3m. Politicians see ominous parallels between this and the sudden rise of the Scottish and Welsh nationalists in the early 1970s.

However, a close examination of the policy documents put out by the major parties shows they are high on rhetoric about the environment but rather low on specific commitments.

The official line from the Government is that it is already doing a first-class job of preserving the environment. But in fact there is widespread dissatisfaction and alarm among Conservative MPs about the continual erosion of the green belt around urban areas by new building development in the south-east and the effect which the Channel tunnel will have on Kent.

The people most upset by this are traditional Tory voters in constituencies where the SDP-Liberal Alliance is already posing a threat. In 150 constituencies in the south-east it is calculated there are at least 33 where local environmental issues could help the Alliance win the seats from the Tories.

Such is the concern in this Conservative heartland that Tory MPs in the south-east and the west of England have formed a special group to protect the environment and make representations to the Government.

The Government is in a difficult position as, in addition to placating the green voters, it is under heavy pressure from the building and farming lobbies.

Mrs Thatcher's cautious stance on the subject was summed up earlier this year when she said in a Commons written reply: "The policy of the Government is to achieve the highest environmental standards that are cost effective and do not place unnecessary burdens on industry."

As a predominantly urban working class party, Labour has tended to downgrade environmental issues, and leftwingers have seen them as a middle class preoccupation. The party is now eagerly reminding us of "green" Socialist pioneers like Ruskin and Robert Owen and emphasising that the postwar Labour government established the modern machinery of town and country planning.

Its document last week emphasised the urban aspects and the job-creating possibilities of environmental planning, as well as the rural perspective.

Despite this, the row at the Trades Union Congress this week over the future of the nuclear power programme illustrates the difficulties Labour still faces in reconciling the interests of the technological trade unions and new industries with protection of the environment.

The Liberals can fairly claim to have had a strong green tinge and have taken a tougher stance on nuclear power than their SDP colleagues. Many Liberals would like to see the closure of nuclear power stations, but the party's discussion document discreetly skirts the issue. It condemns the Government's "blind faith" in nuclear energy and promises that the Liberals would re-channel the high spending on nuclear research into examination of alternative energy sources and improved efficiency and energy conservation.

The Liberal document promises greater public participation in planning procedures, a proposal that has great electoral appeal.

The SDP policy document, issued last year, also treats the subject of nuclear power stations with reticence and says: "This is not the place to take a view on the whole question of nuclear power."

It suggests, however, that further major research on the safe disposal of nuclear waste is needed before there is any major expansion of the existing nuclear power programme.

FARNBOROUGH AIR SHOW

McDonnell Douglas plans to launch 'family' of MD-11s

Reports by Michael Donne, Aerospace Correspondent

McDONNELL DOUGLAS of the US is close to a formal go-ahead for its new MD-11 three-engined long-range jet airliner to rival the Boeing 747 Jumbo jet.

The company said at the Farnborough International Air Show yesterday that it had received commitments from three airlines, two of them international and one in the US, for a total of seven aircraft. It was working with 30 other airlines worldwide from which it expected to win the other orders for up to 20 aircraft that it says it needs to justify committing the MD-11 to production.

McDonnell Douglas's determination to develop the MD-11 was further shown by an announcement that it intended to add two new versions of the aircraft to those now on offer to create a "family" of MD-11s.

In addition to the passenger, all-cargo and "combi" (both passenger and freighter) already on offer, there would be an "extended range" model capable of over 8,600 statute miles non-stop and a larger "advanced" model also for very long ranges.

These announcements by McDonnell Douglas were regarded by aviation observers at Farnborough as indicating that collaboration between the US company and Airbus Industrie of Western Europe on future long-range jet airliners is only likely if Airbus itself is willing to give up its plans for the A-340 four-engined long-range aircraft.

Discussion on possible collaboration in this field between the two companies has been under way for several weeks, but so far no decisions have been taken.

It appeared from comments by senior McDonnell Douglas executives at Farnborough yesterday that the US company's interest in collaboration with Airbus was veering away from long-range aircraft and becoming more concentrated on possibilities of a link with the other future European Airbus programme, the A-330.

This is a twin-engined short to medium-range aircraft, carrying over 300 passengers, which is a market slot in which McDonnell Douglas has nothing at present to offer. Collaboration in this field, therefore, would be more beneficial to McDonnell Douglas than it would be in the long-range jet market.

Mr Louis F. Harrington, vice president and general manager of advanced products for McDonnell Douglas's Douglas Aircraft Company division, said that the company intended to stay in the commercial aircraft business for a very long period of time. It was for that reason that it was putting substantial resources behind the development of the MD-11, which he foresaw remaining in production through to the end of the century and beyond.

British Aerospace wins $100m order

AN ORDER worth more than $100m for a further six British Aerospace 146 four-engined regional jet airliners has been placed by Air Wisconsin of the US, bringing the airline's fleet of these aircraft to 15.

Some of the new order will include a new, larger version of the 146, called the Series 300, which is now under development by BAe. The first flight of the Series 300 will be next spring.

Although this will still primarily be a 100-seater, like earlier versions, it will offer considerably increased comfort for passengers. It could also be fitted to take increased passenger loads if required by airline customers.

Mr Sydney Gillibrand, managing director of BAe's civil aircraft division, said at Farnborough yesterday that the company was also studying the possible future use of the new prop-fan type of engine on the 146 for the mid-1990s.

This was necessary because of the increasing threat of competition in the 1990s from such new prop-fan airliners as the McDonnell Douglas MD-91X, also a 100-seater aircraft.

Mr Gillibrand said that the high-wing design of the 146 made it eminently suitable to take prop-fan engines. The company was studying a wide range of prop-fan options currently under development in the world aero-engine industry.

He said that BAe did not accept some of the claims made by other manufacturers on the early arrival of prop-fan engines. BAe thought they would emerge in the mid to late 1990s, rather than in the early part of the decade, but the company could not ignore such developments and had to be ready for them whenever they emerged.

Other new commercial aircraft ventures now being studied by BAe include a 26 to 27-seater version of the existing Jetstream twin turboprop airliner. A decision to develop that new model is likely to be taken later this year.

BAe is also looking at a possible 12-seater version of its highly successful type 125 business and executive jet, provisionally called the Series 1000, on which development may be started soon.

Ministry in talks on Eurofighter funding

BRITISH AEROSPACE and the Ministry of Defence are now discussing the level of future government funding for the Experimental Aircraft Programme (EAP) "technology demonstrator" aircraft, which is making its debut at this year's Farnborough Air Show, in southern England.

The single £180m aircraft, which has been built to date, is intended to combine the advanced technologies to be used on the forthcoming multinational Eurofighter.

Although the EAP is not specifically intended as the prototype for the Eurofighter, it is expected to be used to help define the technical and flying characteristics of it, pending the emergence of the Eurofighter's prototype later this decade.

The money for the EAP has come jointly from the aerospace industry and the Ministry of Defence but covers only the construction of the EAP and initial flight testing up to the end of this week's air show.

Any further flying in support of the Eurofighter programme will require extra finance of millions of pounds.

The aerospace industry, headed by British Aerospace and Rolls-Royce, is ready to put up more cash but it believes that, because the EAP will be used primarily to support the Eurofighter, the four governments involved in that project should finance the most of the extra EAP spending.

● GEC Avionics, part of the GEC group, and AEG of West Germany and Hughes of the US, its partners in a team competing to build the radar for the £20bn Eurofighter programme, has ruled out the development of a new radar for the aircraft, Lynton McLain writes.

GEC Avionics said yesterday that the decision was based on a detailed assessment of the development time scales for the Eurofighter, the likely available funds and the size and weight constraints of the aircraft. It had also ruled out an extensive derivative of an existing radar system.

Rolls-Royce to test Hotol engine concept

WORK on a revolutionary aerospace engine has been started by Rolls-Royce, it was announced at Farnborough yesterday. The company is embarking on a two-year "proof of concept" study to demonstrate that an engine combining air breathing and rocket propulsion will work.

The long-term aim is to develop a propulsion system for the projected British Aerospace Hotol (horizontal take-off and landing) space aircraft, which will take off and land like a normal aircraft while being capable of soaring into near-orbit.

The new engine is called the RB545. Although classified as secret, Rolls-Royce said that it used atmospheric oxygen in the same way as an airliner's jet engines until about nine minutes after launch. Then the engine switches to Hotol's on-board liquid oxygen supply to provide the rocket propulsion needed to put the aircraft into orbit.

Logica given research for Star Wars

LOGICA, the computer software company, has won involvement in two of the five Star Wars research programmes contracted out by the UK Ministry of Defence to British industry, David Buchan writes.

This follows the $10m award by the US Government to the MoD to examine the threats that a strategic defensive system would have to cope with in continental Europe and the UK.

In a consortium led by Hunting Engineering, Logica will produce a threat assessment and study ways in which different Star Wars technologies for Europe can be evaluated.

Logica also announced at Farnborough that it was undertaking a £77,000 study for the British National Space Centre on the feasibility and cost-effectiveness of servicing in orbit the Columbus polar orbiting platform of the International Space Station programme.

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. $200,000,000

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August 1986

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August 1986

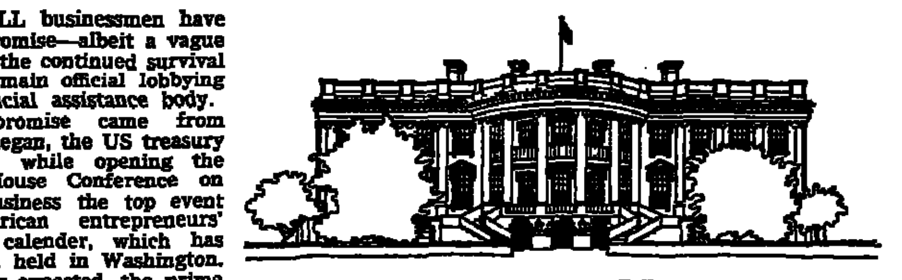
MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

US lobbying

A presidential reprieve

Graham Bannock reports on the future of the SBA



US SMALL businessmen have won a promise—albeit a vague one—for the continued survival of their main official lobbying and financial assistance body.

The promise came from Donald Regan, the US treasury secretary, while opening the White House Conference on Small Business the top event in American entrepreneurs' political calender, which has just been held in Washington. As widely expected, the prime subject for discussion was the future of the Small Business Administration, the loan and assistance agency threatened with partial extinction by President Ronald Reagan's budget proposals earlier this year.

"I want to tell you that the president will appoint a permanent SBA. Right now, I can't tell you any more than that, but I know that when the time comes, you'll be pleased," Regan told the 1,128 small businessmen at the conference. His words were greeted with some relief, though more cynical delegates observed that the President's absence was revealing.

The official explanation was that Reagan's non-appearance had nothing to do with any possible embarrassment over the controversy surrounding the SBA. He was in California, driven out, it was said, by the shut-down of White House air conditioning for the removal of obnoxious asbestos cladding.

Small businesses have created over 10m jobs in the past four years of tax-cut-fuelled growth in the US. This is the reason that the deliberations at the conference have an importance that goes far beyond the confines of America.

This was not the all-white all-male event usual in gatherings of businessmen in Europe; 29 per cent of the delegates were women who are now starting more than 50 per cent of new businesses in the US, and 16 per cent were from racial minorities. The colourful event was unashamedly political with the billboards, balloons, hats with mobiles and other razzamatazz that characterise US political conventions.

Delegates separated into 10 crowded rooms to discuss recommendations on groups of issues familiar enough to their UK counterparts, such as economic policy, taxation, regulation and paperwork.

However, none of these issues was as politically explosive as the continued existence of the SBA, an independent government agency with a permanent staff of 3,700 people, which has been under threat for some years now. The Administration would like to get $450m off the national budget deficit by dropping the SBA's loan programmes and rolling the rest of the agency's functions into the Department of Commerce. As the Administration sees it, this would be consistent with the policy of reducing government involvement in the private sector.

Inevitably, small business lobbies have been critical of the SBA at times in the past, but the threat to its future has aroused a strong loyalist reaction in its favour. There are about 14m small businesses in the United States and they are well represented in both houses of the legislature and by their associations — The National Federation of Independent Business (NFIB) has over 500,000 members—but they feel that their interests are not always equitably reflected in legislation. An important part of the SBA's role is to ensure that the Administration is aware of the implications of what it does for small business and to argue from the small business corner.

Arguably, in the American system, this advocacy is by far the most important role of the SBA. No other major country has an independent agency for small business separate from other branches of central government, though Belgium has an oddly named Ministry for the Middle Classes, which acts for small businesses. Delegates fear that if the SBA became part of the Department of Commerce, the small business voice would be muted by the sometimes conflicting interests of big business and that the energy devoted to research on small business matters by the SBA would be dissipated.

An overwhelming vote in favour of the retention of the SBA at the conference therefore was widely expected to cause some embarrassment for the Administration. As it was, some delegates were miffed that the conference was held at a time when Congress was not in session, which prevented them from lobbying on the Hill. On the first ballot, in fact, among several motions to retain the SBA's independence, one obtained 1,179 votes out of 1,640 ballots cast and ranked first among all the recommendations. In the final ballot, however, the same motion had sunk to 13th position with 1,051 votes.

What had happened was that votes were split between competing motions on the SBA. Some of these wanted the administrator of the SBA to be elevated to cabinet level, others had more specific detail about the future of particular SBA programmes and other matters. Taken together these different motions would easily have come out on top. Some delegates blamed this outcome on manoeuvring by the US Chamber of Commerce and the NFIB, others on the inherent fragmentation and querulousness of the small business lobby.

Whatever the reason, the will of small business was clear enough. The SBA does not seem to be in immediate jeopardy, even if its staff morale is low. The President's 1987 budget proposals which included no provision for the SBA were rejected by Congress and the budget passed by Congress assumes the continued existence of the SBA.

Graham Bannock run a small business research consultancy.

In brief . . .

THE MAGAZINE Acquisitions Monthly is to stage a two-day conference titled How to Buy and Sell Companies, in London on September 24 and 25.

Speakers will be drawn from a range of providers of finance and advisers, including Schroder Wagg, County Bank, Merrill Lynch Europe and Samuel Montagu. Subjects for debate will range from takeover tactics to public relations, the pros and cons of staying independent, identifying acquisitions and organising management buyouts.

The venue is the Churchill Hotel, Portman Square, London W1. Tickets cost £395 plus VAT from the conference organisers, Fibex, 55 Catherine Place, London SW1E 6DY.

●

BRITISH Telecom has nearly completed the conversion of a country house in Bracknell into a series of small offices for developing businesses.

The building is the third in BT's Network Nine business centres — the other two are in Aberdeen and London — and will provide central services like word processing, telex and fax handling and message taking. The first offices will be available in October, with the building expected to be fully open in January.

Details from Bill Blakemore, marketing manager, Network Nine, 19 Stratford Place, London W1N 9AF.

●

A CONFERENCE on international trade finance to educate budding exporters is to be held in London on November 18 and 19.

Organised by Dun & Bradstreet, the Trade Finance Forum is designed for general managers or senior executives responsible for international trade finance. Ten speakers will be fielded, representing banks, expert credit agencies, factoring companies and insurance groups. Fees are £160 per day or £295 for two days. Bookings through Alison Ladlum, Company Registrar, Dun & Bradstreet, 26-32 Clifton Street, London EC2P 2LY.

●

FINANCING tomorrow's winners is the title of a one-day conference to be held at Robinson College, Cambridge, on October 28.

The main subjects for debate include whether the explosion of small high technology companies around Cambridge can be a model for other parts of the UK and whether venture capitalists are adequately providing the finance and management assistance enterprises need to achieve fast growth. The conference will also be an opportunity for delegates to meet young local companies, each of which will submit a one-page business description to be included in the conference documents.

The event is organised by the Financial Times with consultancy groups Venture Economics and Segal Quince Wicksteed. Tickets are £230 plus VAT from FT Conference Organisation, Minster House, Arthur Street, London EC4 9AX.

●

A SERIES of seminars on directors' responsibilities will be held at 38 locations in England and Wales between September 30 and October 30.

Organised by the Institute of Chartered Accountants in England and Wales with the Department of Employment, the seminars are entitled Keeping Good Company and aim to highlight the essential points of law that affect directors in the day-to-day running of their businesses.

The three and a half hour seminars cost £40.25 and details are available from Member Services Directorate, ICAEW, 399 Silbury Boulevard, Central Milton Keynes.

●

PRESTON Business Venture, the Lancashire-based enterprise agency, will organise an opportunity for small businesses to meet big buyers on October 14 and 15.

It has invited eight large organisations with a combined £100m annual spending power to be available to small companies on those days at Preston's Broughton Park Hotel. Appointments, which must be arranged through the agency, will be for 15 minutes and are restricted to independent businesses with less than 200 employees. Application forms from Preston Business Venture, 43 Lune Street, Preston, Lancashire, PR1 2NN. Bookings must be in by September 12.

●

BUSINESS in the Community, the umbrella body for Britain's enterprise agencies, has updated its guide to these private sector-backed small business assistance bodies.

The directory has been redesigned to include tables which give an instant picture of different agencies' activities.

Directory of Enterprise Agencies and Community Action Programmes cost £2.50 from BIC, 227a City Road, London EC1V 1LX.

Venture Consort under threat

William Dawkins reports on lobbyists' anxieties over the EEC budget

EUROPE'S LEADING venture capital investors will meet on Thursday to discuss how to combat threats to EEC small business assistance posed by pressures on the community's budget.

They are anxious about a recent statement by Abel Matutes, the European commissioner with special responsibility for the sector, that member states are planning to cut the Ecu 10m (£6.7m) sought by the commission for small and medium-sized business schemes next year.

Venture capitalists are particularly worried about the outlook for the 18-month-old Venture Consort scheme, which subsidises risk investments made across member states' boundaries. The scheme has been praised by venture groups as a valuable tool in helping small enterprises to break through market barriers within the community.

Venture Consort's Ecu 3.3m funding so far has been provided outside the community's formal budget. The Commission was proposing to give the scheme full official budget support next year, but this now seems to be threatened by member states' misgivings.

Dr Neil Cross, chairman of the European Venture Capital Association, writes in the next issue of the group's newsletter, due out next week: "The usefulness and value of this scheme has been proved beyond doubt to the venture capital profession and to the European Commission itself and I urge EVCA members to use their utmost influence in government circles and with members of the European Parliament to push this scheme through."

The future of Venture Consort, which has so far helped to fund 15 internationally syndicated European risk capital deals, will be high on the agenda at the EVCA's next board meeting in Edinburgh on Thursday, just a few days before EEC budget ministers are due to meet on September 9.

Robert Ceurvorst, EVCA's secretary general, said recently that only Ecu 500,000 was left out of Venture Consort's allocation, representing about half of the funding needed for the five propositions now under review. The Commission has contributed about a tenth of the total Ecu 24m attracted by Venture Consort projects, with the rest coming from the private sector.

An EVCA survey earlier this year suggested that more than 110 European venture capital projects were suitable for the scheme. "Now proposals have more or less dried up because there is very little money available for the rest of this year and because the budget for the next 12 months is not even clear," said Ceurvorst.

The risks of franchising

ANYBODY who thinks setting up a franchise is easy can disabuse themselves of that notion by taking a look at the latest issue of the UK Franchise Directory.

Published by Norwich-based Franchise Development Services (FDS), a consultancy for potential franchisors and franchisees, the booklet lists 273 franchisors, 100 of which have grown up over the past year. However, 80 of the franchisors that appeared in the 1985 edition failed to emerge this time round. "Many did not have the required structure to implement a successful franchise development programme," warns Roy Seaman, managing director of FDS.

But despite the high number of potential franchisors that failed to get off the ground, Seaman predicts that the franchising industry will expand by 20 per cent in the coming year and create 15,000 to 20,000 jobs.

The 150-page directory lists franchise opportunities from damp-proofing to indoor cricket and contains a section advising businessees how to assess whether they are suitable for franchising and assisting hopeful franchisees to choose an activity. Not all businesses in the directory are members of the British Franchise Association, the main trade body. Copies cost £25 from FDS at Castle House, 21, Davey Place, Norwich, NR2 1PJ.

WD

BES hits doldrums

THE FLOW of companies seeking equity finance under the Business Expansion Scheme has dried up—at least for the time being.

Not a single venture has advertised directly to the public for BES finance since early July, the most recent candidate being Esterlac, a perfume marketing business. This is partly a normal summer lull, but there are also fears that the tougher BES regulations introduced in the last Budget and finalised in the recently published Finance Act are deterring businesses from making use of the scheme.

The BES offers individuals tax incentives to invest in unquoted shares. Businesses with more than half their assets in land or buildings were banned in the March Budget from being able to offer BES relief in an attempt to halt the large number of asset-backed enterprises which were claiming to offer safe personal tax shelters.

Included in the new regulations is a complex formula to determine the value of assets. The signs are that small business advisors—like many other people trying to interpret parts of the widely criticised 1982 Finance Act—are baffled.

"The property restriction is so embracing that people were very cautious about doing anything before the Finance Act was published—and now that it is published, they can't understand it. If you are planning to bring forward a business with a property element, there is no definite answer," says John Harrison, who runs the main BES information service and edits the BES Magazine. Ironically, the August issue of his magazine failed to appear because the BES market was so inactive.

However, Harrison reckons that the market for BES funds is now getting more lively after a year in which they lost a great deal of market share to more glamorous single company direct issues. Two funds (technically open ended schemes) are now in the market. Alpha and Johnson Fry and another three or four are believed to be on the way in the next month, so the supply of BES finance has not completely vanished.

According to Harrison's latest count, the number of businesses to have raised equity through BES funds slipped sharply from 220 to 182 from 1984-85 to 1985-1986, while direct single company BES issues climbed over the same period from 72 to 102.

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TECHNOLOGY

Beaming in on a sales explosion

Peter Marsh looks at the rapidly expanding market for laser-based equipment

WEST GERMAN wine makers, industrialists worried about counterfeiters, surgeons trying to get rid of kidney stones and submariners employed by the Pentagon have one thing in common.

All are examining exciting new possibilities in laser technology—which after an action-packed life of 26 years shows no sign of settling down to middle-aged sedateness.

Lasers produce highly-focused rays of light. This means they can produce, in very small spot beam, a lot of energy—enough to cut metal and other materials.

The single wavelength of a laser beam also means that the light can be made to interact photochemically with a range of substances depending on the exact wavelength of the ray. For instance different types of lasers will mark or burn holes in materials to a different degree, a property that has a wealth of applications (see chart) in materials treatment, medicine, colour printing and recording of information.

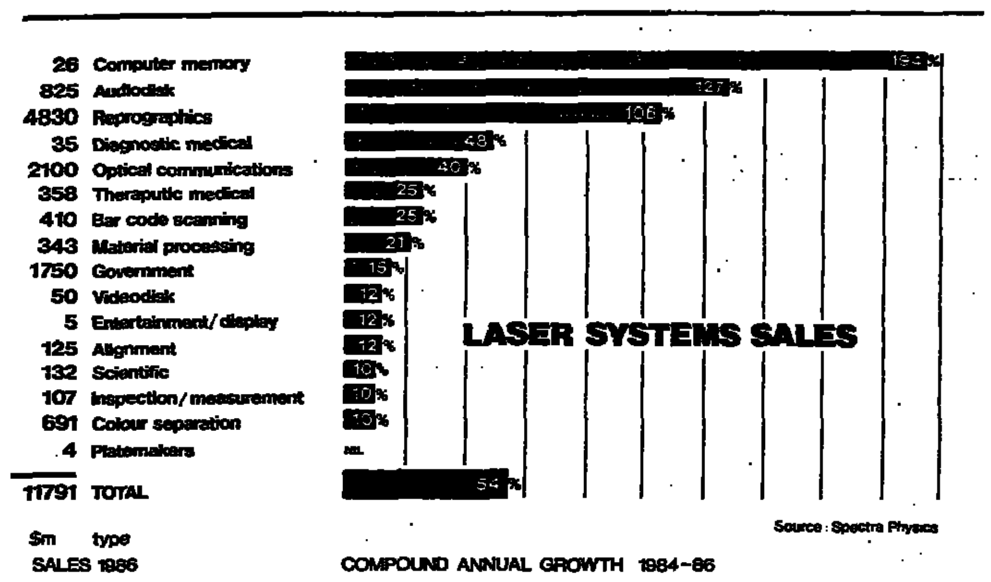
Other uses for lasers include optical communications, in which light at a specific wavelength carries coded messages which represent either digital data or telephone calls, and bar-code scanning in supermarkets, where lasers "read" sequences of black lines on product labels.

The first laser appeared in the US in 1960. Since then, even though applications for the devices have appeared thick and fast, sales have grown only slowly, to an estimated $560m this year. The signs are, however, that the pace is quickening, with sales increasing by 25 per cent annually in the past few years.

Sales of equipment based around lasers are much higher. They will reach $11.8bn this year, more than half as much as a year ago, according to California-based Spectra-Physics, the world's biggest laser company.

As well as finding applications in a wide range of products, the properties of individual lasers vary enormously. Power output can range from a few milliwatts for most semiconductor lasers to tens of kilowatts for the carbon-dioxide lasers used in metals cutting and welding. Prices range accordingly, from as little as $5 for semiconductor devices to $500,000 or more for the biggest carbon-dioxide system.

This diversity causes headaches for those trying to monitor the laser industry. "It (the industry) is not clearly defined—it's a composite of a lot of companies involved in very specific applications," says Mr Andrew Kessler, an analyst at Paine Weber, a New York stockbroker.



The rapid growth of laser sales, spread over a range of disparate applications, can also make life difficult for laser companies. Marketing effort, for example, can be dissipated over too many areas of industry.

Mr Herbert Dwight, president of Spectra-Physics, admits that management failures have been partly to blame for his company's recent lacklustre financial performance. Last year Spectra-Physics made a loss of $4m on sales of $191m.

Other leading laser companies include Coherent and Control Laser of the US and Canada's Lumonics. The latter owns one of the UK's top laser makers, JK Lasers. In Japan, Hitachi, NEC, Toshiba and Matsushita have in recent years made rapid strides in lasers, mainly due to developments in low-power semiconductor lasers based on materials such as gallium aluminium arsenide.

Semiconductor lasers are easily the most numerous. Of the 1.2m lasers sold in the Western world in 1984, about 1m were the semiconductor variety—used in applications such as telecommunications, laser printers and compact-disc players—with the next biggest selling type being helium-neon systems. The latter sell for about $200 and are widely used as bar-code readers.

A bugbear for the laser industry is the devices' low efficiency. For a typical semiconductor laser, only about 30 per cent of the electrical energy pumped into the system emerges as light energy. The figure falls to about 15 per cent with carbon dioxide lasers and to less than 0.1 per cent with argon-ion machines.

Researchers have recently come up with a way to increase the efficiency, and hence the power output, of so-called YAG devices, a common though expensive form of laser used in applications such as materials working and medicine. YAG lasers are based on crystals of neodymium-doped yttrium aluminium garnate. The new strategy is to couple the YAG crystal to a special type of semiconductor laser which emits radiation at a relatively high power (for these types of lasers) of about half a watt.

Semiconductors of this sort are made in the US by Spectra Diode Laboratories, a joint venture between Spectra-Physics and Xerox. Hitachi and Siemens of West Germany are also working on such devices.

The upshot is that the YAG laser (which normally gains its energy from a flashlamp) can operate at an efficiency of as high as 30 per cent instead of the more normal 1 per cent. The diode-pumped YAG lasers that result are barely out of the laboratory. Only a few companies—they include Photon Control of Britain and Lightwave Electric of the US—sell the systems.

Eventually, however, they could play a big part in reducing the cost and size of YAG lasers, bringing down the price from the current $30,000 or so to perhaps as little as a few hundred dollars. One emerging customer is the US Defence Department. It is examining the possibility of using diode-pumped YAG lasers—the rays of which can penetrate through sea water — for sending messages to submarines via satellites.

Excimer lasers, a relatively novel form of device, have caused recent interest. Made by companies such as Lumonics, Lambda Physik (a West German subsidiary of Coherent) and the US's Questek, these devices are based on rare gases like xenon and krypton and produce particularly intense bursts of light at ultraviolet wavelengths.

This combination of properties suits a range of applications. The West German wine industry is investigating use of the lasers, which normally cost about $30,000, in sterilising wine. Beaming excimer light into the liquid destroys organisms derived from yeast. These are normally eliminated by the messy process of adding sulphur dioxide.

In the electronics industry, radiation from excimer systems can selectively strip away areas of photoresist from the tops of wafers in circuit-printing processes. GCA, the US semiconductor-equipment company, is among the converts to chip-making machines that use laser radiation, rather than the less intense ultraviolet light from conventional light sources.

Another new application for lasers is in marking of components. Such techniques can reduce the need for other forms of marking, based on paper labels for instance. General Motors, Motorola, Procter and Gamble, ITT, IBM and McDonnell Douglas, for example, are among the customers of Laser Identification Systems of California, a leading laser-marking company which is owned by Lumonics.

Most lasers for marking are based on YAG or carbon dioxide devices. These lasers, whose radiation is in the infra-red range, can etch fairly large numbers and letters easily enough on plastic and metals but work less well with other substances.

The highly intense, lower-wavelength radiation of excimer lasers is strongly absorbed in a wider range of materials. Excimer lasers thus look highly promising for producing tiny inscriptions—which could be helpful in techniques to outwit counterfeiters—in high-value items such as industrial diamonds and optical components.

Doctors, too, are stepping up their use of lasers. Argon-ion lasers are commonly used in eye surgery. Carbon dioxide and YAG devices feature in gynaecology and removal of ostructions in the stomach.

A recent innovation pioneered by Candela, a small Massachusetts-based laser company, lies in the flashlamp-pumped dye laser. This can be "tuned" remarkably accurately over a range of wavelengths by changing the colour of the dye. The bursts of energy from the laser can also be varied from 1 microsecond to 1 millisecond.

As a result, doctors can specify the properties of the light they require to destroy or interact with certain kinds of tissue. With these lasers, which cost about $200,000, they can selectively destroy kidney stones without harming the surrounding tissue. Among the institutions working with Candela on kidney-stone treatment is London University's Institute of Urology.

Armchair viewing increases pressure on cinema industry

THE MOVING picture industries of the world are currently awash with statistics about video and cinema going—trying on the one hand to identify the growth markets for video, and, on the other, endeavouring to predict if the cinema is about to be totally submerged in the flood of video.

When the bell-weather of cinema going — North America —reports a decline in attendances (down 8.4 per cent in June over the previous June) there might be a hint of concern. When a statistical blip like that occurs on a continent where VCR penetration, as a percentage of TV homes, is still behind Britain, Japan and Australia—but catching up fast —there could be real cause for concern.

Some observers, however, believe that national falls in cinema attendance are not related to video ownership. In the US, Columbia Pictures has been conducting research which suggests that the rise in VCR penetration—from 9 per cent in 1983 to over 30 per cent in 1985 —has not affected cinema attendances proportionately over the same period (about 10 per cent down).

Cinema is traditionally dependent on a younger audience — in Columbia's research, 88 per cent in 1984 were under 30 years of age — and there are signs of a shift in this support. The 1985 figure for the same age group is down eight per cent, and the proportion in the 10-19 year age group has dropped from 39 per cent to 32 per cent.

Other research (by Market Facts, Chicago) claims that in 1985 US teenagers attended the cinema 20 per cent less frequently than in the previous year, but tripled their viewing of rented pre-recorded videocassettes.

Video certainly seems to be breeding a new generation of immobile viewers, for whom an armchair provides better slumping positions than a cinema seat: 40 per cent of all films seen in the US in 1986 will be viewed on video.

Rental has fuelled some of this boom in video viewing, but now that so-called "budget" video programmes are available at prices most VCR owners can afford—in UK £6.95 for older titles such as *Cabaret* — even the rental market may find itself under attack. Indeed, forecasts in the US are now predicting that sales of pre-recorded videocassettes will overtake rentals by late 1988.

The extradordinary growth of retail outlets is part of the reason for this trend. Not more video shops, but large bulk-ordering retail chains with video sections, such as Woolworth and W. H. Smith. Latest in the UK about to start retailing pre-recorded video cassettes is Mothercare shops, which will carry a line of programmes aimed at the very young.

The copyright owners are far from depressed about these events. The demand for more and more releases on video (there are now over 40,000 titles available in the US including specialised programmes) is bringing some very old movies out of the vaults. The Video Gems £6.99 collection, recently launched in UK, includes John Ford's *The Hurricane* (1937), Samuel Goldwyn's *Raffles* (1940) and golden oldies like *Wuthering Heights* with Laurence Olivier.

FILM AND VIDEO

by John Chittock

The rise in video penetration is expected to continue for some years to come. Japan demonstrates the potential with an end 1986 forecast of over 70 per cent of TV homes; Britain will then still have some catching up to do with an expected 50 per cent; and the US at about 43 per cent by the end 1986 has plenty of room left for expansion.

Nonetheless, as the growth curves begin to level off in the next few years, the indutry will start looking for other areas of expansion. Early forecasts suggest that they will not have to look far—China, Uruguay, Argentina, Mexico, Spain, France and India are tipped as among the next fastest-growing markets, with annual growth rates ranging from 42 per cent to over 117 per cent.

Those with an eye for new business opportunities may detect here an interesting possibility. Most of the movies which have been selling well have been doing so in English-speaking territories; and not too many in the past have been available as cinema films in foreign language versions, especially since the prime cinema market has always been English-speaking North America.

The demand for new versions in foreign languages could thus begin to look quite immense in the future. The simplest, cheapest solution for meeting this need is by adding sub-titles; but on a small television screen —with the inferior resolution of video playback—sub-titles are not a satisfactory answer (even if preferred by some film purists, who dislike the awkward voices of alien actors).

However, the complexity and cost of dubbing foreign languages on to lip-synchronised films is substantial. Although Britain has excelled in dubbing techniques, the processes involved are tedious and await the kind of breakthrough that computers have brought to film and television animation.

This suggests that as the booming video market now begins to spread around the globe, the industry may need to invest in new dubbing processes. Or will at least be ready to become customers at any recording studios able to provide better and cheaper foreign language versions.

The liet motif in all of these developments seems to be the putting of new life into old dogs. It happened in the cinema with re-edited compilation films like *That's Entertainment* (a box office success), and on broadcast television with classic war documentaries created from archive footage. But as video has now become a multinational business, breaking the language barriers becomes an interesting new opportunity in what has essentially become a re-packing business.

This exemplifies the catharsis which video has brought to the cinema industry. Traditionally, feature films and their exhibition have been the epitome of show business — with all the panoply of presentation inherited from the fairground and the theatre where it all started. But video is essentially a re-packaging exercise, demanding the skills and experience of the retailer, the stock controller and the cost accountant. The effects of this cultural divide may be, in the long term, more traumatic than statistics alone could possibly anticipate.

FINANCIAL TIMES SURVEY

Tuesday September 2 1986

Conference and Incentive Travel

About a third of the UK's top 1,000 companies use some form of conference or incentive travel. This expanding business is a profitable sector for the providers of travel and is a big factor in motivating staff to improve their performance.

Upgrading the bonus

By DAVID CHURCHILL
Leisure Industries Correspondent

TRAVEL IS the ultimate dream for many people and it is hardly surprising, therefore, that it has emerged in the 1980s as one of the key means of motivating an executive team or salesforce to try just that *little bit harder in a tougher* trading climate.

Whatever the reason for the corporate travel trip—be it purely as a sales conference or as a reward for good work—the lure of a cruise in the Caribbean or a weekend in Paris has *an attraction that other forms* of incentive find hard to beat.

"Travel has a more lasting value than a salary bonus which often becomes directed towards the household," points out Mr Colin Cooper, conference and incentive manager for Princess Cruises.

"What an incentive trip delivers is an individually tailored fantasy which cannot be bought in an ordinary package," adds Ms Clemencia Wiese, regional sales vice president for the Mandarin Oriental Hotel Group.

Conference and incentive travel also offers a more prosaic reason for popularity in that it often includes spouses and sometimes children. An overseas travel trip with spouse is an added bonus that can sometimes help justify the long hours put in on the company's behalf.

The growth in demand for conference and incentive travel trips is shown by the record number of exhibitors at the Incentive Travel Exhibition to be held on September 17 and 18 at the Novotel hotel in west London. Over 200 companies are expected to be represented in what is the largest exhibition of its kind outside the US.

The exact size of the UK's conference and incentive travel industry, however, is difficult to calculate because of the excessive secrecy of companies in the business and the diversity *of what should be included in* the industry.

The spectrum of conference and incentive travel users ranges from holidays "earned" by individuals as a result of a voucher or points scheme operated by commercial operators such as Bonusbreaks, through to a conference away from the office for all executives or staff irrespective of achievement.

In between are standard package tours bought from a tour operator for employees, through to tailor-made incentive trips for extra work or tailor-made conferences.

Estimates of the amount spent by companies on conference and incentive travel last year range from £145m to £200m. These figures come from two recent studies of the market and clearly show that there are wide differences of interpretation about who is involved in this sector and how much is being spent.

However, a special survey of the incentive travel market carried out by an Australian research student, Ms Jane Westwood, at the University of Surrey, found that about a third of the top 1,000 British companies had used some form of conference or incentive travel. Among those that had used incentive travel, nearly three-quarters used it to motivate their own sales forces while half also used travel as an incentive for dealers.

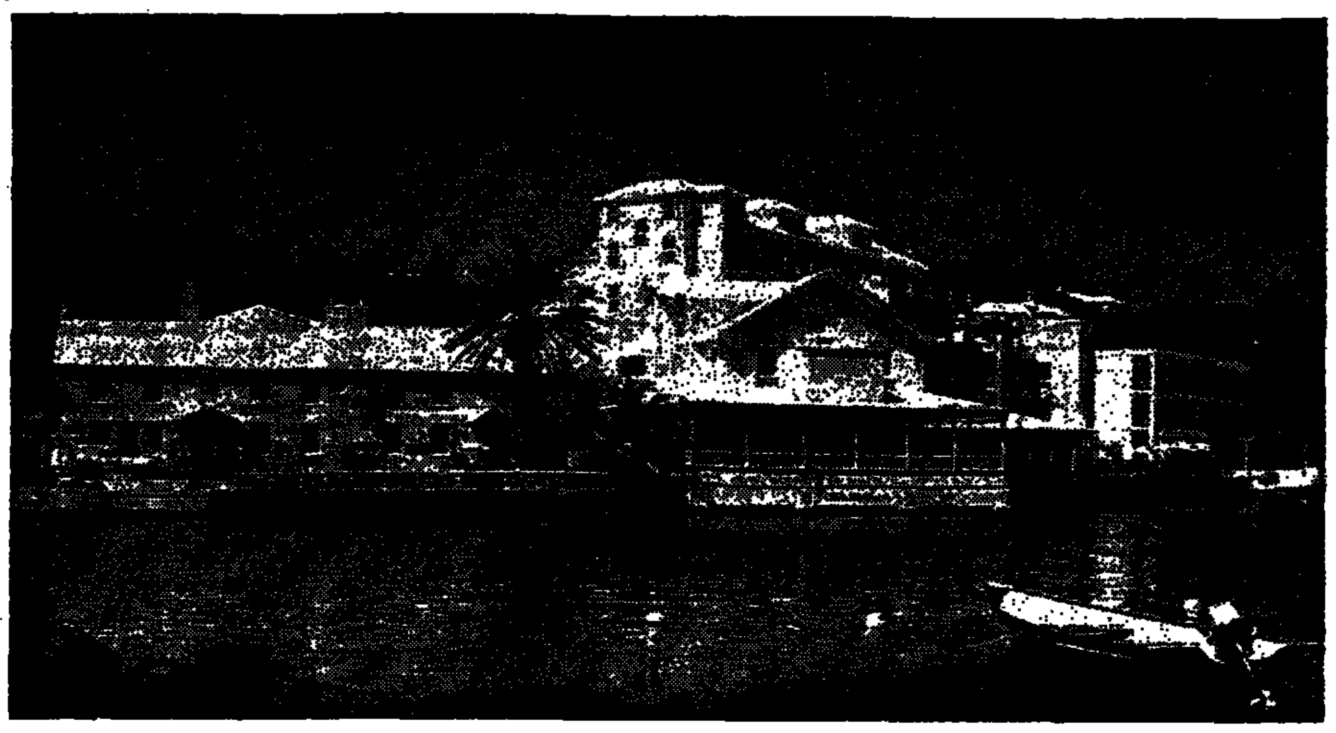
Although the range of companies using travel as a motivator is increasing, the industry is still largely dominated by motor, insurance, and pharmaceutical companies. These companies have distribution structures such as dealerships which makes it vital to them to motivate their sales force or dealerships.

In addition, a travel trip is often seen as a more acceptable incentive to a self-employed franchised dealer than a more straightforward consumer durable or cash incentive.

According to Ms Westwood's research, many of the companies in these types of industries had been using incentive trips for the past decade and only just over one in every ten had started using incentive travel in the past couple of years. This suggests, therefore, that the new growth areas in conference and incentive travel are to be found from industries with no tradition in using this type of motivator.

The key factors influencing the choice of a conference or incentive travel destination appear to be the hotel facilities, price, and time taken to reach the destination. Gambling facilities were of little interest to UK incentive trippers, although in the US this is considered a major factor in choosing a travel location.

The most popular destinations for incentive and conference trips vary considerably according to factors such as budget, purpose of trip, and the tastes of the target audience.



The lure of a dream package is a strong motivational tool. Above: Coral Island Hotel in Bermuda

Short-haul destinations in Europe are still the favourite, accounting for eight out of every ten of all trips according to a survey by the specialist magazine Promotions and Incentives. Paris is the most popular destination, thus making France overall the top country for incentive trips. The survey suggests that France is followed by Spain in popularity and then by other European destinations.

While short-haul is popular because of the shorter travel time taken—and the lower costs involved—there is a clear trend *towards long-haul destinations*. This trend is based on a variety of reasons, such as the fact that guaranteed sun in the spring and autumn—when most incentive trips take place—is further away from the UK than mainland Europe.

Top ten for international meetings 1985

By country		By city	
US	796	Paris	274
UK	598	London	238
France	591	Brussels	219
West Germany and West Berlin	435	Geneva	212
Switzerland	319	Vienna	127
Belgium	283	West Berlin	94
Italy	269	Rome	91
Netherlands	192	New York	90
Austria	179	Strasbourg	89
Canada	172	Singapore	74

Source: Union des Associations Internationales.

In addition, the attraction of European destinations begins to pall on executives who may spend their own holidays in such places. As incentive travel grows in popularity, so the search is on for more exotic destinations.

Most companies tend to make use of specialist incentive travel organisers. These fall into two types: either they are incentives companies offering a wide range of incentives and promotions apart from travel; or they are travel operators keen to generate new business from conference or incentive trips.

However, there are certain guidelines that all companies *involved in incentive and conference* travel should bear in mind. Initially, companies should be well aware of the reasons behind the trip—is the failure of the sales force to generate extra sales, for example, due to factors other than motivation? And what happens to those workers who fail to achieve incentive awards—will they be de-motivated?

Is travel the right type of incentive? Will a conference held in a sunny Spanish resort *really be the best place to stimulate* creative thinking from senior executives? Or might other incentives—such as improved sports facilities on the company's premises—offer a greater motivation to all staff than incentive travel for the favoured few?

If a travel trip is the best conference or incentive deal, then plan well in advance and think through all the implications of a trip. For example, will additional expenditure—such as hotel laundry or telephone *calls*—be paid for by the company or the executive. Nothing can be more annoying for the individual than to be asked to pay a number of minor bills on a trip that is supposed to be a reward for outstanding achievement.

If cost is a significant factor—and a short-haul trip can cost an average of about £600 per person, *while a long-haul trip* costs £1,500 or more—then plump for a less exotic but shorter stay rather than cut back on the trimmings.

When the conference or trip has taken place, do not forget to exploit the goodwill obtained with *follow-up procedures* to ensure that the participant was happy and motivated by the trip.

One of the most important areas for companies to be aware of is the potential tax liability that can be incurred from a conference or incentive trip. In theory, everything an individual receives as a result of employment is liable for UK taxation and a trip to Paris or Spain—even if a few business meetings are thrown in—does not reduce that tax liability.

However, the Inland Revenue is not totally unaware that taking senior executives to a country hotel may be a legitimate business expense if business is being discussed and may allow this to go ahead without individual tax liability. But *a pure incentive reward trip* may not be considered a legitimate expense.

To help overcome such problems of interpretation, the Inland Revenue has set up a special unit to value the tax liability of incentive travel *trips. Prudent companies should* discuss this with their own financial advisers and the tax authorities to avoid any incentive becoming a disenchantment for employees.

Although the conference and incentive travel business is clearly vulnerable to any economic downturn, the immediate prospects are good for further growth in demand—to the order of about 20 per cent this year in value terms, according to trade sources. A successful conference or incentive *travel trip is increasingly being* seen as an unbeatable motivational force in the corporate world.

Conference and Incentive Travel 2

The rewards system

Name of the game is higher sales

TRAVEL NOW accounts for 40 per cent of all UK dealer and sales incentive budgets. At least five companies in Britain spend more than £1m and two of them almost £2m annually. Another dozen invest at least £500,000 each year on incentive travel.

Why? The answer, according to Mr Richard Pavitt, conferences and incentive manager at Abbey Life, is "motivation." He, and his company, believe that in the competitive world in which they operate exciting prizes stimulate everyone to greater effort.

He said: "The end product is not the trip. That is only the beginning. What matters is what follows. Experience has shown that people work harder afterwards. Their increased workload leads to higher earnings for themselves and increased profits and dividends for our policy holders and shareholders."

Incentive travel is regarded by the professional in the business as an investment in tomorrow, not a thank you for yesterday. As a policy it is backed by boardrooms on both sides of the Atlantic. Recent figures indicate that spending in the US is approaching £2.5bn annually, and rising on average by 15 per cent a year.

A total of about 51 per cent of all US corporations now use travel to motivate their sales forces, and customers and suppliers, too.

Travel as an incentive is evocative and personal. Dangling in front of everyone is the carrot that if they achieve the new targets they, and their spouses, can be off to a new destination next year. When asked which they would prefer, a fridge or a holiday in Acapulco, most sales staff choose the latter. They also prefer travel to cash which quickly disappears into the family budget, or is taxed. The problem arises in deciding how much of an incentive trip is a perk, how much a working holiday.

Taxation is a jungle in which the world of incentives has learned to survive. The marketing director of one company explained: "It affects different organisations in different ways. Two employees within the same firm can be treated differently by their individual tax inspectors. Without doubt there is a liability to tax, but how much is a question of interpretation."

Rewards for high fliers include travel by Concorde.

Ten companies which have organised travel both in Britain and elsewhere included several working sessions during their incentive trips, not to defeat the tax man, but to take advantage of having, perhaps for the only time in the year, all their top salesmen and customers together.

But the Inland Revenue continues sporadic surprises. A City financial institution experienced inspectors descending upon its headquarters. They demanded to go back through their books for six years to discover how much they had been spending on incentives which the tax men insisted were "perks." The arguments are reported to have been long and fierce.

In the end the merchant bank received a tax demand for £300,000 with a warning that if it did not pay, individual assessments would be issued against all who had taken part in the incentive schemes. The bank paid.

One of Japan's largest photographic companies had a similar experience, although in their case the tax authorities only went back three years. This year instead of an incentive trip they are holding a sales conference in the UK.

Mr Robert White of Business Travel Team, Haywards Heath, which each year organises around 50 incentives for companies in Britain, Europe and the US, believes such trips are not outings. "They are put together for specific purposes, and the main target is to win more business," he said.

"The name of the game is bigger orders. If by proving to staff and customers that past support is appreciated, a company can generate better results next year, the incentive investment will have paid the required dividends."

The taxman, however, may still regard it as a perk and demand his pound of flesh. The Special Audit Groups of the Inland Revenue are known as the "SS" by those in the conference and incentive business. One organiser summed up: "They are specialists and over the years have acquired the knowledge to ask all the right—and wrong—questions. They have the power to see all the books, make a tax asessment and levy what amounts to a fine."

Conferences and meetings fall broadly into two categories in the eyes of the taxman. Those that are serious and technical, and obviously meetings of like minds wishing to talk together about new developments and techniques, are unlikely to be considered as perks or payments in kind. The tax inspectors will accept that these gatherings are necessary and make no demands.

But their eyes will light up when they discover that a company has taken its top salesmen, and their wives, on a 7/10-day junket to Jamaica or Japan, even though the first day of the programme included a series of seminars and sales pitches. Details of beach barbecues, balls and banquets, plus the presence of spouses, are the tell tale signs that attract the taxman with the certainty of iron filings to a magnet.

But there are ways to pacify the Revenue. Choose Jersey or Guernsey for your conference, or go to Stamford, England, instead of Stamford, US, for your incentive destination and the tax inspector is likely to accept that you stayed at home and worked most of the time.

Large international companies with overseas subsidiaries can sometimes jump the tax hurdle by arranging for their British staff and wives to receive their invitations from abroad. When all bills are paid from bases in America, Hong Kong, Australia or Zurich, it is difficult for the UK taxman to assess tax.

Another ploy is to register a company in one of the tax havens and arrange for it to organise the conference or incentive package. Once again the bills will all be paid locally and the British tax inspector will find nothing in the books of the home-based company and may have to sit idly by and agree that nothing illegal has taken place and tax cannot be levied.

But these escape hatches are not available to every company. Most must accept the rules of the Inland Revenue which allow the company to pay any tax demands, although recipients are still required to declare all details in their own returns. A special valuation unit has been established to deal with the valuation of incentives. (Address: Inland Revenue, Incentive Valuation Unit, 4th floor, 27 Broadwick Street, London W1V 2AE.)

Under its arrangements companies can, if they wish "cover the recipients basic rate tax liability on the grossed up value of the award. Any higher rate tax liability will still have to be collected from the recipient in the usual way."

Because travel is such a powerful incentive it is mostly the high fliers who win the prizes . . . and go on doing so year after year. At one of the largest life insurance companies I was told: "We only pick the most exotic destinations. Some of our men and women are earning in excess of £50,000 a year. They don't want to go to Blackpool. They can afford Gleneagles, the South of France or Spain. For them it has to be Concorde, the Orient Express, or something equally tailor made."

However, not all incentives are glamorous. Organisers are constantly seeking new themes, fresh locations and original ideas to make the occasion memorable, perhaps purposeful.

Two companies which recently emerged, decided that the best way to reconcile the two opposing managements was to throw them together in a stress situation. According to a report in Conferences and Exhibitions International all were invited to a remote farmhouse in Wales. Mixed teams from both companies were sent out at night on a treasure hunt across terrain that would have tested a trained SAS unit.

Yet nobody complained. On the contrary, all felt satisfied and fulfilled when they had completed their tasks. Result? The two managements learned to respect one another . . . and work together.

In France, Monique Regnard of the Incentive Congress Organisation hopes to erect a king-size circus tent in the middle of the Bois de Boulogne for a French insurance company so that their incentive winners can be served the finest food under the Big Top by waiters dressed as clowns.

She says she is also planning a series of rehearsed "accidents" to add to the confusion . . . and enjoyment. If she has her way the final course of this incentive banquet will be brought on by elephants—profiteroles stuffed into imitation tusks.

Incentive travel organiser Mr White added: "Every trip has to be planned down to the last detail and final moment. These winners are not seaside trippers. Mostly they are used to a high standard of living and demand the finest. If it is not forthcoming the host's reputation suffers.

"When mistakes occur they are usually made by organisations new to incentive travel which are trying to cut corners by penny pinching. Those with experience know it is better to spend that little more to get the best."

To make sure they get what they want and expect, the big buyers now insist upon paying their professional advisers a sensible fee, rather than a percentage of the spend. Such a policy makes just as much sense as incentive travel itself.

Moss Murray

Conference travel

Fewer visitors from the US

IN A fiercely competitive market like international conferences, any development that might cause a setback to the flow of participants particularly from the lucrative North American sector, is bound to set alarm bells ringing.

The "bomb scare" stories, hijacks and shootouts at Rome and Vienna airports, and the attack on Libya from a UK base certainly frightened off many tourists from flying into Heathrow. And pictures of armed guards at the airport may have added to the problems.

The industries most likely to be affected by a sharp drop in tourism began aggressive marketing campaigns and this has helped to reduce the damage. British Airways offered several thousand free seats on transatlantic flights and, Trusthouse Forte put out special offers to attract North American tourists to its 200 hotels.

Now that the initial panic is over the general view seems to be that the damage was not as bad as expected, but it is difficult to find reliable figures to quantify the downturn. The British Tourist Authority, for instance, judged the fall to be no more than 15 per cent but this seems optimistic compared with the view of the British Incoming Tour Operators' Association.

Mr Fred Pearson, past chairman of the association, believes the North American sector did take a "terrible knock" and thought the decline could have been as much as 50 to 60 per cent. But he hopes this could recover to an overall figure of about 40 per cent by the end of October.

The US tourists are reported to have turned to Hawaii, New Zealand and Australia in place of Europe and some industry leaders believe bookings next year could also suffer.

The final effect on this year's conference market in the UK is even harder to quantify. Last year that market was probably worth more than £800m, on the basis of a minimum rise of 10 per cent on the £735m earned in 1984, according to the last annual report of the British Tourist Authority. Of that total, £346m came in direct revenue to conference venues, while £346m represented spending by delegates and organisers. Foreign visitors accounted for £150m.

There were cancellations but all the sectors involved—the big conferences centres designed to attract international meetings, the stately homes, hotel groups and even universities—are putting on a brave face. They will not in any case have had all their eggs in one basket.

At the Barbican Conference Centre only about 10 per cent of business comes from international conferences and no more than 10 per cent of that is from North America. Other business was not affected.

The National Exhibition Centre, Birmingham is doing well in the international conference field

Also optimistic is Mr John Cole, marketing manager of the National Exhibition Centre in Birmingham, who says the UK is doing well in the international field. Mr Cole, also chairman of the British Conference and Exhibition Centres Export Council, believes that in spite of the number of new centres coming on stream in Europe and the increasing sophistication of facilities, Britain was still able to compete effectively, particularly for US business, because of its language and political stability.

The NEC, Britain's biggest conference centre, has just secured the booking of the International Union of Physiological Scientists for 1993, which needed a venue for 8,000. Last year the NEC attracted 23,000 Rotarians for their conference, the biggest of its kind ever held in the UK.

In the big league which the council represents are major centres which can handle international conferences including Glasgow, Cardiff, Brighton and Nottingham, as well as the NEC.

At the same time the corporate conference market generally is becoming increasingly specialised and there remains a constant need to update facilities.

Britain could fall behind in supplying what the customer wants, according to Meeting Point Conferences, a company which specialises in organising conferences for a wide range of organisations. Miss Lesley Class, a director, is critical of hotels which claim to have a conference centre when it is no more than a converted ballroom.

She instances the search for the right kind of London venue for a conference for 350 doctors from all over the world. "Their particular requirement was for 12 syndicated rooms, each of which should cater for about 30 people," she says. Even the new Queen Elizabeth II conference centre in the heart of Westminster had to be rejected because there was not sufficient adjacent hotel accommodation. One of the few possibilities was the Heathrow Penta conference centre, but this was regarded as too far from central London. As a result, London may have lost this 1988 booking and the venue may be switched to Paris.

Paris is, in fact, London's closest rival as the most popular venue for international conferences, although London is managing to stay ahead.

Cost is a factor that causes many organisers to look further afield. Sofitel Hotels, which runs 300 hotels in 60 countries says Paris and Amsterdam are the most popular venues in Europe but there is a big demand for other parts of France.

Mr A. de Safrin, international sales manager, says that The Gambia is an up-and-coming area as hotel costs are relatively cheap and charter flights are not too expensive.

World Conference Travel, a London consultancy which specialises in arranging conferences and corporate assemblies such as incentive trips, looks even further afield. It sees Thailand as an expanding venue, because it would be possible to organise a 10-day trip there as cheaply as in Europe.

But perhaps the Association of British Travel Agents might have latched on to the latest trend-setting venue. Some 3,500 of them are off to Queensland's Gold Coast in November, to Surfers' Paradise.

Arthur Dawson

Incentives market

The customer calls the tune

WHEN PARACHUTISTS landed on a British Rail InterCity train in the wilds of Scotland in a daring raid, it didn't make the headlines; not because of fear of frightening away potential tourists from North America but because it was all part of a performance laid on to give customers what they wanted.

A charter train took top EMI international executives and pop stars to a conference at Gleneagles, and the parachutists dropped in to deliver hotel keys to the guests. There was even a pipe band in full Highland dress to greet the arrival at Gleneagles.

As the normal first-class return fare to Gleneagles is £126.60, the £10,000 hire of the train, which can accommodate up to 250 passengers, represents a considerable bargain to any company accountant. And British Rail benefited to the tune of £25,000 after providing meals and laying on special events like the use of a steam train for part of the trip.

Although this event may seem, on the face of it, to be more conference business than incentive travel, the dividing line between the two is being constantly blurred. One reason is the interest of the taxman (see separate article). He may cast a more jaundiced eye on, say, a "once in a lifetime" incentive costing £800 for a weekend for two at London's Ritz Hotel (no matter how hard the executive had worked to merit the reward) than he would on a more expensive Caribbean cruise which included 9-to-5 attendances at conferences intermingled with time to relax.

Despite this unwelcome attention, British business is taking a growing interest in incentive travel as a strong motivational tool in improving the performance of executives. It has been estimated that, at the very least, £50m a year is devoted to incentives in overall corporate spending.

This does not take into account incentive travel offers by the companies that already benefit from this type of business. Airlines, hotel groups, car-hire companies and the big cruise groups have their own way of stimulating additional business.

The vital contribution to exports provided by overseas visitors attending conferences or exhibitions or on incentive trips is reflected in the fact that, out of the £20m spent by the British Tourist Authority on promoting tourism, £250,000 is devoted to that particular sector, with a further £500,000 being spent on joint venture promotion.

Other countries, too, are playing their part in attracting this market. This year Canada has started a promotion programme, Contact Canada 86, highlighting opportunities for incentive and conference organisers. It has allocated C$100,000 to point out the attractions of Expo '86 in Vancouver, the winter Olympics in Calgary, and off-the-beaten track ventures such as panning for gold, eating caribou steaks at the North Pole and whale-watching. Imperial Life has chosen Canada for a 12-day trip for its top life underwriters.

Sun spots, such as Bermuda and Florida, continue to be high on the list of family appeal in the incentive market; but, as users become increasingly sophisticated, the big hotel groups are providing more individually tailored fantasies which cannot be bought in an ordinary package. Specialist companies develop these dream trips. Mandarin Oriental Hotels, which includes two of the world's top hotels, the Mandarin, Hong Kong, and the Oriental, Bangkok, has worked out packages for each of its six hotels.

But it is not only at the top end of the market that a dash of spice is being sought. One motor dealer, who regularly provided seats in the box of a London football club, has this year switched the incentive reward to a rail trip by Pullman coach to Stratford, itself a sad reflection on the attitude to the sport.

Traditionally, the motor and insurance industries are the biggest users of incentives, and many suppliers of services aim directly at these two sectors. Hotel groups, stately homes, individual holiday resorts and top car hire companies all put out incentive packages, which are now also related to such events as the British Grand Prix and American football at Wembley.

An increasing number of organisations are offering to arrange incentive packages for companies; and they act as intermediaries by arranging the travel with airlines, hotels, resorts or other suppliers who are anxious to provide the facilities. Only the big international companies arrange their own incentive deals, and the number in the UK is comparatively few compared with the US.

Nevertheless, some reasonably lucrative niches are being carved out. For instance, Joy Swift thought up the idea of Murder Weekends when she was working for Quality International, which runs a chain of 800 hotels. She got the idea from an actual shooting in a New York hotel when guests had to stay on for the police investigation.

From that grew the Agatha Christie weekends. And four years ago she set up her own company, Murder Weekends Ltd. This year she has arranged 30 so far, in this country and Norway, Germany, New York and Dallas. She has also invented a board game which she describes as being something in between Cluedo and Trivial Pursuits. "Today people don't just want to relax but want something to do and enjoy a challenge," says Joy Swift.

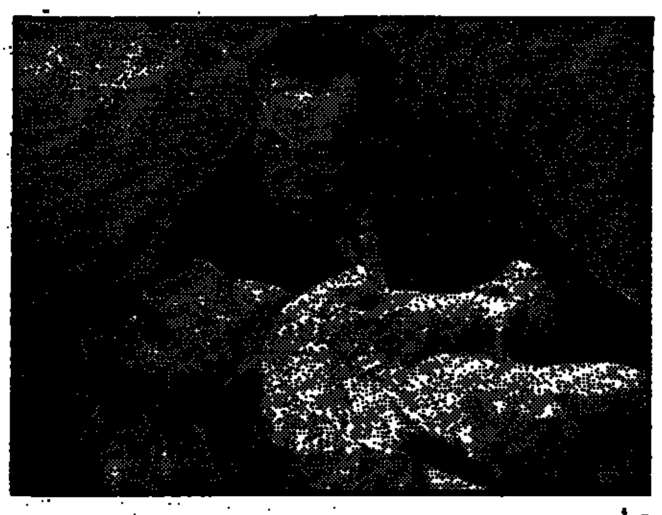
As a kind of spin-off she is now hoping to launch a TV mystery series, if she can find the right financial backing. Because of the Murder Weekend success, Quality Inns have introduced a Dracula Weekend at its Crown Hotel, Scarborough. Why Scarborough? Well, enthusiasts of Bram Stoker will know that a trip to nearby Whitby, which is included in the weekend, will provide the answer.

Some new ideas for incentives can also be expected at the forthcoming International Confex '87 exhibition, at the Aggie Business Design Centre, in London, in January.

Exhibition director Lorraine Hall says that, looking back over the past four years of the show, it is quite clear that many exhibitors have weighted their pitch towards incentive business in recognition of its growing importance.

Whether the high achiever prefers a Fine Claret and Port Weekend, with Janice Robinson, to an Equestarian Weekend with Captain Mark Phillips; or living it up like a lord in a stately home like Weston Park, in Shropshire, or Leeds Castle, in Kent, hardly matters. The important thing is that the range is widening.

Arthur Dawson

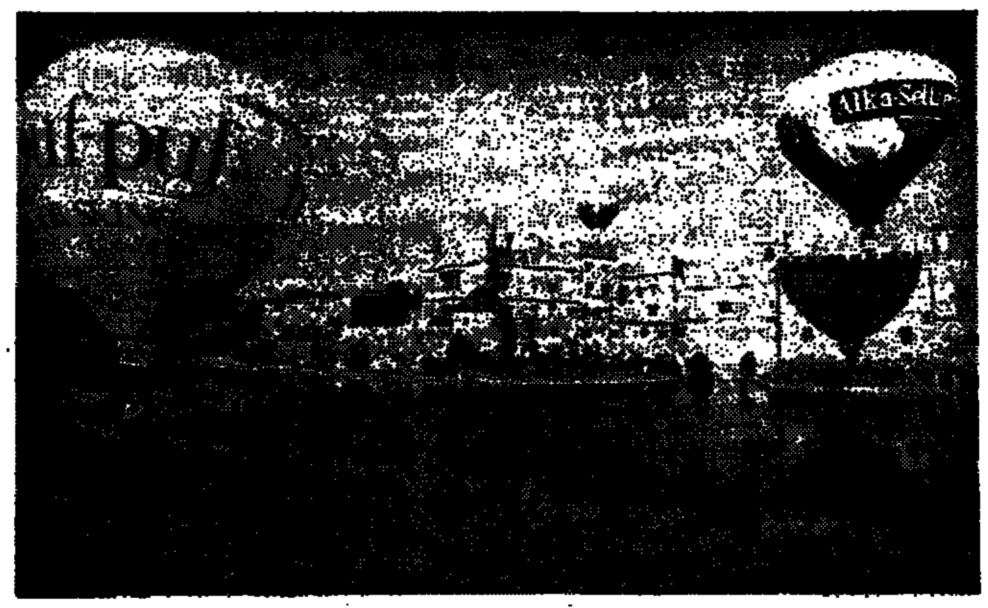


Canada is promoting the winter Olympics in Calgary, Alberta, as an attraction for incentive travel and above is typical Rockies scenery in Jasper National Park. Left is what guests at a Dracula Weekend might expect. The gruesome fare offered by an hotel group is a follow up to a popular Murder Weekend.

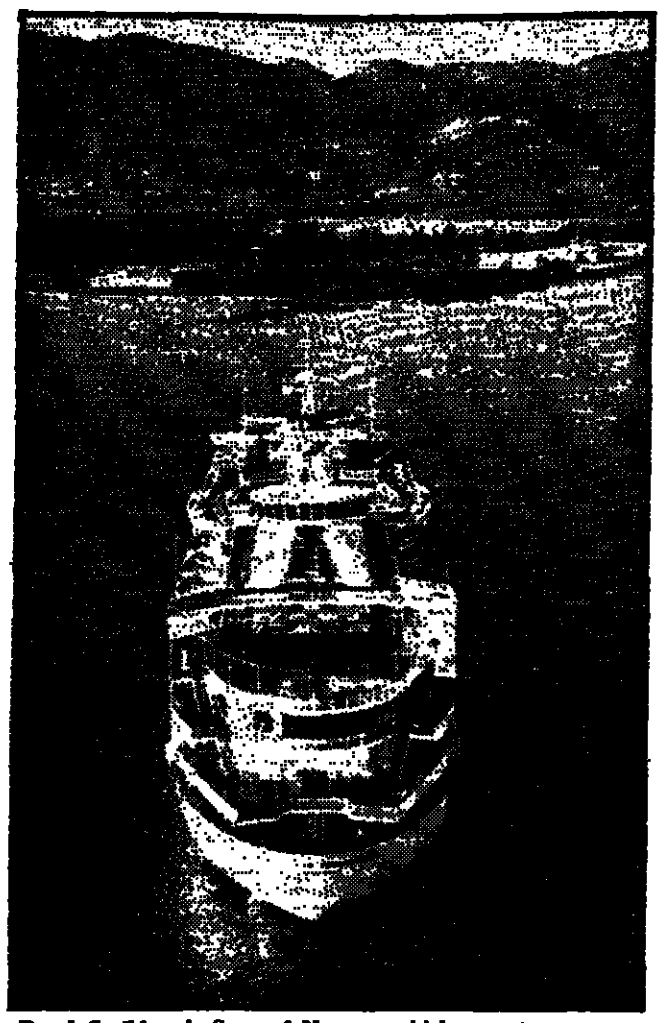
The incentive trip may not be of long duration but the style in which it is done is what everyone remembers. British Aerospace celebrated the sale of its 600th BAe Business Jet (seen left) by having a Business Jet accompany a hired VIP charter train to take overseas guests and employees to their factory site at Chester. To add a touch of nostalgia, steam trains sometimes take over for a short haul and even the chairman's name can appear on the engine for the day. Recently the Royal Shakespeare Company took a party of VIPs up to Stratford upon Avon hoping that the visit to Shakespeare's country would help to stimulate sponsorship for funds towards a new theatre venture.

A more traditional style, but just as popular, is the opportunity to live like a lord for a day by a visit to a stately home. Heritage Placements specialises in arranging such conference and incentive trips and has on its register such historic homes as Weston Park, the family home of the Earl and Countess of Bradford. On offer is a five course gourmet dinner, with an overnight stay, a traditional English breakfast and a two course lunch. The more energetic and sporting types might prefer activities such as clay pigeon shooting, archery and horse riding.

Below is Leeds Castle in Kent, another historic home run by a trust, that can house conferences.



Conference and Incentive Travel 4



Royal Caribbean's Song of Norway, which operates a range of cruises to the Caribbean.

Cruises

In search of a successful float

CRUISING is the stuff that dreams are made of: the travel trip that offers it all. Not surprisingly, therefore, cruising is one of the fastest-growing and most popular types of conference and incentive travel trips.

The growing popularity of cruising in recent years has led to the major cruise lines seeking to increase capacity, either by commissioning new ships or by extending existing ones. All three Royal Viking cruise liners, for example, have recently undergone a 90 ft expansion to increase passenger capacity from 500 to 720 per ship.

The success of cruising as an incentive is based on several key factors. From the executive's point of view it has a high aspirational element — offering a travel trip which many would like to do but few feel they can afford. This is in spite of the fact that cruising is actually no more expensive than many land-based hotel holidays. But the important point is that many believe it to be more expensive and therefore unavailable.

From the corporate point of view, cruising offers a number of major advantages.

"It offers a guaranteed ambiance and control, with everything under one roof," points out Ms Jennifer Brown, manager of the Royal Caribbean cruise line in the UK.

A cruise liner not only offers meeting rooms for conferences and briefings but also all the facilities of a large modern hotel — such as top quality restaurants, swimming pools and exercise facilities, and dancing and other entertainments every evening.

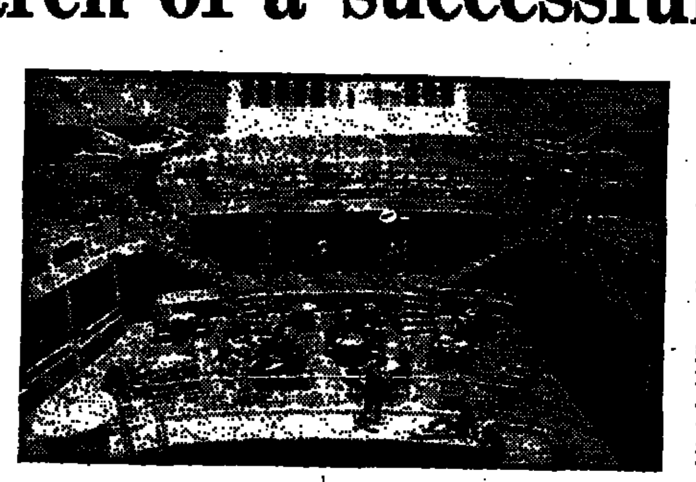
More importantly for the organisers, it keeps everyone—executives and their spouses—in one location where it is possible to ensure that they are being well looked after as well as having them in the right place to get the corporate message across.

Budgets are also an important factor when organising a conference or incentive travel trip and cruising enables the actual expenditure to be forecast very accurately, since the bulk of the expenditure — fares, accommodation, and food — can be calculated in advance.

Discretionary spending aboard ship — such as drinks, laundry, and tips — is usually left to the individual, although companies anxious to ensure the success of the trip may decide to pick up the total tab.

Cruising also enables companies to deal with a single supplier for travel, accommodation, and so on as well as with experienced organisers of incentives and conference trips.

A further factor that has boosted the popularity of cruising in recent years is that it offers a comparatively safe venue for groups of executives. "We are all aware that the world is changing and that some traditional incentive destinations are no longer perceived as safe to visit," points out Ms Brown.



The Lido pool on P & O's liner the 28,000-ton Sea Princess.

"The great thing about cruising is the flexibility and the fact that we can switch destinations with ease." she adds.

The most popular destinations for incentive cruises are the Greek islands and the Caribbean, with the latter probably the favourite with most executives. "As a motivational product, a Caribbean cruise offers sun, sea, good food, exotic destinations, and glamour," suggests Ms Brown.

Mexico and the Caribbean is the destination next spring for two six-day cruises with the Royal Viking Line. The cruises, however, have been booked exclusively by Allied Dunbar, the financial services company, in a £1m charter of one cruise liner for 12 days.

The charter, on board Royal Viking Sea, is for 1,400 of Allied Dunbar's top financial management consultants and directors and is seen by the company as a major component of its sales and marketing strategy.

Mr Patrick Purdon, Allied Dunbar's conventions and promotions manager, says that "we demand such high standards from our sales force that the venues we choose have to satisfy three major criteria."

These are that they have to be cost effective in generating additional business for the company; they have to provide good facilities for business meetings; and they have to be "motivational, exciting, and glamorous."

Mr Purdon says that about 30 different cruise ships were considered before the Royal Viking Line was chosen. "It means that every delegate has a sea-view cabin and there's none of that nonsense about two sittings for dinner or two sittings for the cabaret," he says.

Allied Dunbar is not the only financial services company attracted by cruising. "This year Abbey Life has chartered the Sea Princess for a 10-day Greek island incentive for 500 salesmen," says Mr Colin Cooper, conference and incentive manager for Princess Cruises, part of the P & O group.

Other companies that have used Princess Cruises include Imperial Tobacco, Toyota, Hoover and Lederle hair care products.

Princess Cruises estimates it will receive £2m from incentive cruises this year "and we predict a 20 per cent increase in the number of groups for next year," adds Mr Cooper.

One emerging trend in incentive travel is that much smaller companies are also aware of the benefits of cruising. "We had a recent inquiry from a man who owned half a dozen garden centres," recalls Jennifer Brown from Royal Caribbean cruise line. "We are not only interested in larger groups of 300 or more but willingly handle much smaller groups or, in fact, individual incentives."

But it is the larger companies who are at present most attracted by the motivational aspects of cruising. Royal Caribbean, for example, put together an incentive package for a medium-sized food manufacturing company which offered a seven-day Caribbean cruise for the company's dealers who achieved certain specified sales targets.

The conference cruise was announced at the annual dealer function with a full-scale programme about the ship and the cruise destinations, as well as what dealers needed to achieve to win a place on the trip.

During the year before the cruise was due to take place, dealers were sent postcards from the ship as it visited each Caribbean island, reminding them that they could visit these islands if they achieved their sales targets.

Such involvement by the cruise operator with the company planning a conference or incentive trip on a cruise liner is part of the increasingly sophisticated marketing effort being made to capitalise on the high motivational potential of an exotic cruise overseas.

David Churchill

Destinations

Sunspots for high achievers

THERE IS a world of difference between selling a bucket and spade holiday and offering an incentive programme to a conference and incentive manager of a company considering either rewarding or motivating its workforce.

"We are selling to a businessman and he considers a host of business implications when deciding on destinations and whether to choose a long-distance or a short-haul trip," said Mr David Hackett, chairman of The Travel Organisation, probably Britain's biggest incentive travel organiser. His organisation started seven years ago.

This year it will carry about 12,500 people. The company aims more at the top end of the market rather than by numerical growth in travellers carried.

A crucial consideration concerning the distance of destinations is the length of time the employer wishes the trip to be. Mr Hackett said: "Eighty per cent of the groups we handle are for four nights or less and to go on a long-haul trip for that period of time is impracticable. A long-haul trip needs to be at least one week in duration."

Consideration of value for money and what the trip will include is also crucial in the decision. An £800-per-head budget would enable a client to take a group to Miami, for example, said Mr Hackett, but the fare would soak up a large part of the financial allocation.

"In this situation we might suggest a de-luxe package in Europe with more provision on the ground. People are not simply impressed by the aircraft journey but what is offered at the actual destinations."

In discussing possible destinations with a client The Travel Organisation emphasises currency considerations. "We could point a client in the direction of a destination where there is a currency advantage," said Mr Hackett. "This year, for example, a weakness in the drachma against sterling has offered good buying opportunities in Greece."

The time of the year comes into this cost equation. Prices in the Caribbean for example can be up to 50 per cent cheaper in the low mid-April to mid-December season. In addition a client can be advised that air fares to the Caribbean from the UK tend to go up in the months of July and August because of British holidaymakers.

"Observing trends like that can save clients a lot of money." said Mr Hackett. "One can save up to £250 a head just because a client has taken care over the selection of dates." Similar attention to detail, including whether a country imposes a supplement on single rooms, can also involve savings of considerable sums of money.

"However, if a client wants a winter trip with sun then long haul is inevitable, given the European winter. There are times in the year when it is more valid to consider long haul and some clients have specific periods during which they must arrange the visit."

The Travel Organisation said it was difficult to generalise about top destinations: "Much depends on the type of group, the size and the budget," said Miss Susan Sexton, its sales and marketing manager. "Currently the larger conventions — such as the motor, insurance and computer industries involving 500 people-plus —are going back to long-haul destinations such as the Caribbean because of the strength of sterling against the dollar.

"Cities such as Vienna and Monte Carlo are popular with people requiring sophisticated conference facilities while the more fun-loving, who want sunshine, like the Balearic Islands."

The Majorcan Congress and Convention Association which promotes conferences and incentive travel on the island, says it is a venue offering travel for "sun worshippers and explorers alike" in a country less than two hours by air from Britain and offering a reliable climate with mild warm winters.

However, long haul destinations are often the choice for those businesses wishing to introduce a more exotic and aspirational destination for employees who may regularly holiday in Europe. The relative strength of sterling against the dollar has assisted the development of incentive travel from Britain to the Caribbean.

"The Caribbean has really come into its own recently." said Miss Ruth Buckmaster, managing director of Windotel, which specialises in marketing a small number of independently owned de-luxe hotels in the Caribbean. "The area," she said "offers charisma, it is easy to get at, very special and offers a visit to remember."

It's a sentiment echoed by Mr Colin Cooper, conference and incentive holiday manager at P & O, the shipping line which offers five ships in its Princess Cruises business for incentive travel. "The Caribbean is a romantic destination," he said" and it is a desired one for this market but its choice is tempered by the availability of funds."

A programme in Europe, be it by sea or in a town like Monte Carlo, may be luxurious and cultural. It is the farther away destinations that lure those seeking to reward high achievers. But for those starting out in the offering of such programmes it must always be remembered that if you offer a heavenly paradise this year where will you go to next year?

One organiser suggested a stepping stones process with a slow build up of exotic destinations so that there was always something aspirational to offer next year.

Lisa Wood

THE ARTS


Milein Cosman's ATS Girls (1940) and a detail from Herman Fechenbach's linocut Der Fuhrer (1943)

Exhibitions/William Packer

Out of exile, the resilience of art

The cultural and intellectual diaspora of the 1930s, that was effected throughout what so soon became occupied Europe by Nazi persecution of all that was radical, creatively advanced and, most especially, all that was Jewish, is a well-attested phenomenon of our recent history. But it remains one more usually honoured in terms of general piety, an appendix as it were to the infinitely greater and enveloping horror of the Final Solution, of which it was but one expression among many, than as a particular study.

In terms of our own national life its effects are with us still and, leaving aside the private tragedy and personal cost of such absolute upheaval, have proved to be of an incalculable and wonderfully various benefit. Thus good may indeed come from great evil, to console at least if hardly to justify. In every art, it seems, and in every field of scholarship over a period now of some 50 years, we now may claim as our own the distinguished practice of that extraordinary émigré community.

The exhibition that now fills the Camden Arts Centre (Arkwright Road NW3): (Until October 5), *Art in Exile in Great Britain 1933-45*, makes the point in the particular case of the visual arts and architecture not merely by paying easy homage to a handful of great or more familiar names, but rather by doing something at once more modest and more useful.

Some of those greater figures are of course quite rightly included but the list is hardly exhaustive. John Heartfield, Naum Gabo, Kurt Schwitters, Laszlo Maholy-Nagy, the architects Walter Gropius and Marcel Breuer, the photographers Hans Casparius and Felix Man are all well represented, but whether by policy or availability there are one or two surprises. Mondrian, for example, too much a bird of passage perhaps, is altogether absent, and Kokoschka gets only a nominal showing. But this is in no sense to carp or quibble over the selection: here it is for once the famous who supply the context, the mass of minor, unsung, half-forgotten artists of real quality, many of whom have made their homes in Britain ever since, who supply the substance of this admirable and fascinating show.

The project was initiated by the New Society of Fine Arts of West Berlin and, after a showing in Oberhausen, comes to London in a modified form, with major contributions, the fruits of Camden Art Centre's own researches, by some artists not included before. It is set out thematically, section by section, beginning with an impressive group of self-portraits and portraits of other exiles, among which the works of Marie-Louise von Motesiczky, who was given a memorable retrospective by the Goethe Institute last autumn, are outstanding. The small Martin Bloch self portrait, a strangely decorative painting of a woman in a yellow skirt, and an exquisite tiny linocut self portrait by Susan Einzig are all remarkable.

We are then taken on by a somewhat circuitous route through the themes of emigration and actual escape. Indeed one of the most delicate and evocative of all these things is a water-colour by Eugen Hoffman of a family escaping in the night. The ideas and emotions of persecution and exile, the ironical documentation of actual internment in Britain itself, the practice of anti-Nazi propaganda, the topographical observation of the Blitz and, beyond everything, the sense of life continuing with some semblance of normality and the infinite resilience of art itself, are all treated in their turn.

So it is that the most touching and poignant things of all, perhaps, are the most ordinary, in the sense that by them we discover artists who here transcend explicit anger, desperation and — dare one say it in this connection? — self-pity.

Hans Feibusch for example, a fine painter who quite as much as von Motesiczky surely deserves full and wide recognition, shows two religious compositions, *Elijah* and *The Prodigal*, both of them fraught with symbolism, and yet it is his painting of a woman simply at rest, *Sidonie in Bed*, that is the greater work. It might be John Gay with his camera at the fair on Hampstead Heath, or Tim Gidal at a wartime concert at the National Gallery, or catching Laurence Olivier and Vivien Leigh in a London pub, Walter Nessler painting the moonlit streets of Camden Town, Arthur Segal most exquisitely conjuring up the London fog, Kurt Schwitters the portrait painter or Milein Cosman making a rapid note of ATS girls relaxing in the canteen, but in each case it is the ordinary essential humanity of the experience with which the image is invested that pulls us up short.

It is indeed the resilience and strength of the human spirit that is always most moving, that still gives us hope.

Taormina Festival

Freda Pitt

Two companies bearing the indelible imprint of their choreographer-directors provided the dance content in the third section of the *Taormina Arte* festival, following those devoted to films and plays (the latter with the customary accent on Shakespeare).

Other than this fundamental attribute, Roland Petit's Ballet National de Marseille and the Paul Taylor Dance Company have little in common; they were both greeted with genuine and much-deserved warmth by large audiences in the Graeco-Roman theatre, where both companies had to compromise in the presentation of their repertory. On the one hand, the vast stage frequently imposes modifications in the steps; on the other, it is impossible to accommodate normal scenery there. To my knowledge, only Murray Louis (last year) has invented coloured light patterns for the ruins.

Roland Petit dispensed with sets altogether, limiting himself to a minimum of essential props for Act 2 of *Coppelia*. The open-air setting makes nonsense of this scene in the workshop, yet Roland Petit's irresistible Coppelius, by turns droll, sinister and pathetic—a masterpiece of originality of conception and of performance art—justified what would otherwise seem reprehensible. Mitou Manderon and Thierry Le Floch have both made great progress since they appeared as Swanilda and Franz at the Petruzzelli in Bari; they danced with notable precision and style in the single performance.

The jewel in the company's crown remains Dominique Khalfouni, whose Carmen is perfection itself: seductive without being tarty—neither sluttish nor too refined. The skill with which she uses her shoulders is an object-lesson to aspiring ballerinas.

Denys Ganio was, as ever, her irreproachable Don José. I had not realised until I stood idly watching the peacock in Taormina's lovely and immaculately kept park that the Toreador's (Jean-Charles Verchère) curious neck movements on his entry must be based on the bird's — "*avec fatuité*," indeed.

To give *Carmen* without Clavé's breathtaking scenery savours of foolhardiness, to say nothing of performing the bedroom scene on that empty stage, but miraculously the ballet stood up to even this maltreatment, partly thanks to the performers and partly thanks to the magnificent costumes, especially Carmen's own.

René Allio's backcloth also vanished from *L'Arlésienne*. The basic weakness of this ballet is that without reading Daudet's story or at least the programme-note, no-one could guess at the nature of Frédéri's obsession, since there is no way of indicating an absent person in movement alone. Once this flaw is accepted, the ballet impresses through Jean-Pierre Aviotte's powerful portrayal of the central character, Sylviane Bayard's sweetness as the long-suffering Vivette, and the adroit use of Provençal dances as a basis for the ensemble work. The all-Bizet programme opened with a light-hearted trifle for Luigi Bonino and four other male dancers, *Variations Chromatiques*.

While Roland Petit is a frequent visitor to Italy, where the company is probably better known than in France—appearances at Vicenza and at the Sferisterio in Macerata (*Coppélia*) preceded the performances at Taormina — Paul Taylor's group has a rarity value anywhere in Europe, though less on the Continent than in England, because of the vexed question of the use of canned music, so widespread now in France and Italy.

Music was at the heart of two of the works included in the Paul Taylor Company's performance. Taylor's profound musicality is matched by his audacity (witness his hilarious *Rite of Spring*). *Roses*, dating from last year, is for five couples, with tenderness and serenity as the keynote. It uses Wagner's *Siegfried Idyll* and a lesser-known work by the same composer as accompaniment. The centrepiece of the programme was *Runes*, to rather rebarbative, largely percussive piano music by Gerald Busby. Subtitled "Secret writings for use in casting a spell," it casts a spell of its own through its mysterious rituals. The dancers constantly regroup with one lying on the ground—perhaps a sacrificial death, perhaps a rebirth: the options are open. At all events, I found it riveting, particularly admiring some of the telling groupings.

Esplanade, which also dates from 1975, became an instant classic. All the Taylor hallmarks are there: the high energy and athleticism, the running steps, the falls, the hurtling jumps, the speed, the limpidity, the joyousness. His daring appropriation of excerpts from two sublime Bach violin concertos never becomes misappropriation.

All but five of the 17 dancers have been with the company for a relatively short time, yet their style is of astonishing homogeneity, without losing their clear individuality. To see them is a tonic.

Determined that the choreography and not the dramatic setting should act as focus, the company set up a drably dark framework to mask as much as possible of the ancient columns, as if to enjoin the audience to seek out further performances in a normal theatre. For Europeans, the next appointment is in Paris in February at the Salle Favart (Opéra Comique).

The ruins were atmospherically illuminated for the two concerts given by the Royal Philharmonic Orchestra, making its Sicilian début. Under Yuri Temirkanov, they played works by Chaikovsky, Dvorak and Rimsky-Korsakov that tend to be considered hackneyed in London. Like most Soviet conductors, Temirkanov takes Chaikovsky more slowly than is usual in the West. This results in greater spaciousness but also risks boredom. The orchestra was in splendid form, attentively following the conductor's somewhat histrionic gestures.

The music and dance section, under the direction of Gioacchino Lanza Tomasi, is the newest of the three parts of the Taormina Festival. What it still needs to do is to attract people to Taormina specifically for the performances, rather than only those who merely take advantage of such attractions as happen to be offered during a sea and sunshine holiday.

An Ideal Husband/Glasgow Citizens' Theatre

Martin Hoyle

Miss Julie dates from 1888, *An Ideal Husband* was written six years later; but what a falling off in theatrical progress was there!

While Edinburgh last week enjoyed Swedes portraying Strindgerg's victims buffeted by the surging pre-Freudian undertow of their contradictory desires, the Glasgow Citizen's Theatre opened its season with Wilde's melodrama, its creaking structure garnished if not disguised with a sparsity of tired *obiter dicta* and aphorisms that might be turned on their head and still sound hollowly effective.

The most impressive thing about Philip Prowse's production is his design. Heavy gilded drapery glowers above the proscenium arch, overflows the edge of the stage. Curtain-rise reveals a society sumptuously swathed in suffocating gold hangings. Gilded fruit and garlands are festooned between black marble urns. The set would provoke a storm of applause in the West End; where, however, it might house a considerably more stylish display of acting.

Apart from slight pruning, the production tries to get round the plot's contrivances and more gushing utterances by charging at the play like a hunter taking a five-barred gate. The opening dialogue sees two society women seated on the same sofa bellowing their conversation as if across a paddock. Pert Mabel strides round indulging in charmless back-chat like a bossy waitress. The blameless Lady Chiltern's distraught note of appeal is read for laughs.

Some effective touches mitigate the general heaviness. Wicked Mrs Cheveley suddenly exposes her breasts before calling for Goring's butler to show her out, thus clarifying that too easy exit with the purloined letter before speechless master and scandalised servant. Chiltern's speech on woman's subordination to man's career is taken straight (the colourless portrayal that gives no hint of the character's brilliance could scarcely manage anything else), but is echoed with bitter irony and repressed rage by his wife. Mabel comes into her own with the brisk proposal scene—though Claire Hirsch's very modern gift for casual throwaway is miles from the deadly delicacy needed for Wilde's blow-pipe darts.

The apparently topical question of personal morality in public life—at least two observations on British prurience and the British press still hit home—is less clear-cut than it might seem. Sir Robert's lapse lay not in the irrelevant field of private behaviour but was directly connected with his work. All the priggish posturing in the world (and Gertrude Chiltern is second only to Margaret Windermere for po-faced piety) cannot disguise the play's cynical expediency.

This is embodied by Lord Goring, less a decently worldly *honnête homme* than a trimmer, whose strict moral stance towards his fallen friend opportunistically changes when the danger of exposure recedes. A little too consciously comic (a mixture of Wooster-ish silly ass and owlishly fey academic—an impression underlined by a disconcerting resemblance to the young Jonathan Miller), Harry Gibson approaches a certain style and at least sounds the right class. This the women signally fail to do: Jill Spurrier's breathless chatter is Women's Institute garrulousness, not aristocratic daffiness; and Roberta Taylor's suave adventuress sounds as if her last address was not the Wienerwald but Walthamstow.

Like the rest, Mrs Cheveley tramps woodenly through Wilde's irony, occasionally leavening the monotony with thudding over-emphasis. There is none of that sense of occasion that should inform every utterance; on the other hand, the production scarcely adds up to a bracing re-thinking of the play in modern terms—it needs more than a downbeat final curtain, a disturbing question-mark in place of the implied happy ending. The sets dazzle, at least; although Goring's palatial library, all black and gold, belongs to the Senior Common Room of one of the wealthier Oxbridge colleges rather than to what Mrs Cheveley refers to as a "bachelor's droring-room."

Harry Gibson, Claire Hirsch, Yvonne Orengo and Laurance Rudic

London Sinfonietta/Elizabeth Hall

Andrew Clements

The South Bank's Summerscope, just ended, was designated as "a celebration of our century." It has fulfilled its ambition admirably; 20th-century music has been packaged and presented attractively, and the stylistic range—from the youngest generation of composers to jazz and folk—has been prodigious.

Throughout the four-week season the London Sinfonietta has been the resident orchestra. Its last concert for the festival on Friday, conducted by Esa-Pekka Salonen, summed up its contribution to the success of Summerscope, a programme of familiar modern "classics," superbly played in a totally relaxed manner.

Salonen's contribution was rather less consistent. He had begun the concert in fine style, leading a rapt, nicely detailed account of Ives' *Unanswered Question* which took advantage of the temporary opera stage in the Elizabeth Hall to secrete the strings behind a curtain and place the solo trumpet high in a box. Stravinsky's Octet also teemed with energy and crisply rendered detail, and the accompaniments for Sarah Walker in Schoenberg's *Song of the Wood Dove* and Ravel's Three Mallarmé Poems were attentive, unforced and quietly eloquent. With Miss Walker in fine voice—devastating understatement in her delivery of the Ravel, perfectly scaled down Wagnerian grandeur in the *Gurrelieder* extract—the evening appeared to be destined for total triumph.

But then Salonen launched a scarcely credible attack upon Schoenberg's First Chamber Symphony. With an orchestra that knew the work less intimately than the Sinfonietta his tempi would never have survived beyond the end of the first section; yet as the players stuck to their task the performance gained in wildness, with themes given no chance to breathe, and the contrast between the component movements (the first movement and scherzo particularly) almost entirely destroyed. Salonen remains a puzzling, yet undoubtedly gifted conductor: how can performances of such immaturity coexist in his repertory with music-making of such clear distinction?

La Cage aux Folles/Berlin

Ronald Holloway

It's simply wonderful, and it seems to mellow with age during its *en suite* run at the Theater des Westens in Berlin: Helmut Baumann's production of Jerry Herman and Harvey Fierstein's *La Cage aux Folles*. Maybe it's more accurate to say that the musical comedy fits Berlin like a glove. Indeed, only *My Fair Lady* and *The Fiddler on the Roof* have done better as imported American musicals at the German box office.

Undoubtably West Berlin, with its abundance of alternative life-styles, is the perfect backdrop for a cage full of fools. But there is more to this success story than that. For since the Deutsche Oper Berlin took over the Theater des Westens and put it in the hands of artistic manager Baumann last season, an ensemble of talent has been let loose to sing, dance and strut its thespian wares to the heart's content.

Last November, *La Cage aux Folles* appeared on the schedule as one of a dozen productions on the wing, each to run approximately six weeks at a shot. But it swiftly turned into a word-of-mouth hit and, by the holiday season, a "hard ticket" even for those inside connections. The only solution was to bring it back at the beginning of the next season—in August this year.

This time the revival, with virtually the same cast down to the mixed chorus line, is on the bill until November. The second premiere was so enthusiastically received by the public that you would have thought a new record was being set. And make no mistake: the show is downright entertainment.

Helmut Baumann himself plays the transvestite Albin/Zaza. Günter König is back as the straight-man with the best line, defending his rights as "a quite normal homosexual." Both are standouts. Yet the charm of the evening is found elsewhere: stunning sets and costumes, fast-clip directorial pace, and a refined "European" touch to the narrative that leaves no doubt that Broadway is foreign territory when it comes down to live-and-let-live tolerance.

In short, this is comedy coated over with a light layer of tragedy. It's the romantic side of love turned inside out. It's the fools on the outside of the cage gazing enviously at the straights in the audience. The professionalism of the performance guarantees a kind of "family show" with all sides equally represented. An aura of *Cabaret* and *The Threepenny Opera* charges scenes at the start and finish.

Theatre Royal, Bath's autumn season

The autumn season of the Theatre Royal, Bath opens on September 15 with *The Rivals* by Sheridan, set in Bath and directed by the Theatre's own director, Stephen Barry.

The Petition by Brian Clark, directed by Sir Peter Hall, comes direct from the National Theatre with Sir John Mills and Rosemary Harris, after which there are visits from Scottish Ballet with *Giselle*, Ballet Rambert, and Kent Opera from October 14-18 with *Carmen*, *The Marriage of Figaro* and *The Coronation of Poppea*.

Derek Jacobi stars in Hugh Whitemore's *Breaking the Code* in its pre-London tour from October 6-11. *The Rocky Horror Show* follows Kent Opera's visit.

Arts Guide August 29-Sept 4

Opera and Ballet

WEST GERMANY

Berlin Deutsche Oper: 25th anniversary season. In honour of the 200th anniversary of Frederick the Great, Montezuma, for which he wrote the libretto, is offered to music by Carl Heinrich Graun, produced by Herbert Wernicke. Das Rheingold features Hanna Schwarz, Cheryl Studer, Hans Sotin, Matti Salminen; Die Walküre (Hanna Schwarz, Julia Varady, Catarina Ligendza and Matti Salminen); Don Giovanni (Gundula Janowitz and Peter Seiffert making their debut at the Berlin opera, with Cheryl Studer, Marie McLaughlin and José van Dam).

Frankfurt, Opera: Hans Zender's Stephen Climax is revived; Der Freischütz (Helena Doese, Barbara Bonney and Walter Raffeiner). Also Die Verkaufte Braut and Der Wildschütz.

VIENNA

Staatsoper: Ariadne auf Naxos with Gruberova, Murray, Tomova-Sintov; Cav and Pag. (51 444/26 55).

Volksoper: Wiener Blut, Polenblut (51 444/26 57).

TOKYO

Sankaijuku: Butoh's best-known avant-garde dance troupe, Paris-based, tour Japan with their art of marbled bodies and cosmic themes. Nihon Seinen Hall (Mon, Tues, Wed); Oya Quarry Utsunomiya City (one hour from Tokyo) on Thur, with its bowels-of-the-earth chambers, a mix of Greek temple and high European cathedrals, offers a rare chance to experience Sankaijuku in one of the most apt settings. Well worth the journey. Special buses available (406 0765).

State Leningrad Kirov Ballet: Swan Lake, NHK Hall (Wed); Giselle, Tokyo Bunka Kaikan (Thur). (235 3021).

SPAIN

Bilbao, season offers Faust with Alfredo Kraus and Mirella Freni and La Forza Del Destino with Mara Zampieri, Giuseppe Giacomini, Leo Nucci, Dimitri Kavrakos, Teatro Coliseo Albia (415 3954).

NEW YORK

New York City Opera (NY State Theater): The week is devoted to Sigmond Romberg's The New Moon with Leigh Munro as Marianne, Richard White as Robert and Richard McKee as Besac in Robert Johanson's new production conducted by Jim Coleman. Lincoln Center (870 5600).

Out-of-Towners Series (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Los Trios Ringbarkus from Melbourne performing Rampant Stupidity (Wed-Thur). 19th St. w. of 7th Av (924 0077).

Summer Stage (Central Park): Free new dance series. Blondell Cummings, Cydney Wilkes (Wed); Sarah Skaggs, Stephen Petronio (Thur). Bandshell at 72nd St. 6 o'clock (397 3156).

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Tuesday September 2 1986

Employees and takeovers

IT IS not uncommon in the US and the UK for employees to discover from the newspapers that the company which employs them has changed ownership or is likely to do so as a result of a takeover bid. However unhappy they might be about the new owner, they would not normally expect to be consulted about the matter, let alone exert a decisive influence on the outcome.

Other countries have different arrangements. In the Netherlands, for instance, where Unilever is seeking to buy Naarden, the flavours and fragrances group, employees in the target company have a statutory right to be consulted. In Sweden the unions at Fermenta, the biotechnology group which Montedison is trying to acquire, have sought to change the terms of the deal.

Although Fermenta is a special case, reflecting arrangements made by the company's controversial chief executive, Mr Refaat el-Sayed, it does focus attention on the very different position of employees in Anglo-Saxon countries.

If there is a desire in these countries to foster greater identification of workers with the companies which employ them, through profit-sharing schemes and the like, employees will reasonably ask for some involvement in the decisions which affect them, including takeovers.

Contested takeovers are rare in a country like Japan, precisely because there is a greater sense of unity between a company and its employees. There is a feeling that buying and selling companies is somehow anti-social and even immoral, because its implies buying and selling people.

Different traditions

This reflects a different financial market and different traditions from those which prevail in the US and the UK—and the Japanese system has its disadvantages. An active takeover market improves the flexibility of the economy. It is an effective mechanism for transferring asets from weak owners to stronger ones. The ease of exit, through selling out to a larger group, acts as an incentive to the creation of new businesses. The drawback is that because the takeover rules, like company law itself, are designed for the benefit of shareholders, the employees, who have no rights to be consulted, feel even more alienated from the people taking the decisions; thus the "them and us" attitude is perpetuated.

There was a notable case under the Labour Government in 1974, when Mr Tony Benn, then Industry Secretary, gave employees in George Kent, an instruments business which was the subject of rival offers from GEC of Britain and Brown Boveri of Switzerland, an opportunity to express their views—and a majority plumped for the Swiss company. This was an exceptional case because the Government happened to be a large shareholder in Kent and was thus able to respond to the employees preference.

Right of veto

The outcome of the Kent affair points to one of the problems in giving employees anything approaching a right of veto. In that case employees probably opted for Brown Boveri rather than GEC because they feared that a merger with the British company might lead to rationalisation and job losses. There *is* a danger that employees will always prefer the least possible disturbance to the status quo and object to a new owner who is likely to make radical changes, however necessary those changes might be.

To the extent that employees become shareholders in the business which employs them—as for example in the US through Employee Stock Ownership Plans (ESOPs)—they may be able to use their holding to block an unwanted bid. But in most cases the shareholding will not be large enough to affect the outcome. There is a case for considering arrangements, like those which exist in the Netherlands, whereby the view of employees can be obtained and taken into account—before the outcome of the bid is decided. After all, most employees have a deeper commitment to the company which employs them than do most shareholders, who can switch their funds elsewhere.

At a time when the trend in industrial relations in both the UK and the US is towards closer involvement between management and employees, companies are looking for ways of obtaining, not merely the consent of their workforce, but its enthusiastic commitment to the objectives of the business. A takeover process which appears to ignore the interests and wishes of employees is unlikely to be helpful. Companies will be serving their own interests if, in their approach to employees in target companies, they move at least some of the way towards the Dutch model.

A poor welcome at Heathrow

FEW PEOPLE around the world, planning to visit Britain as tourists, can imagine the unpleasant chaos likely to confront them if they arrive by air at the intercontinental Terminal Three of London's Heathrow Airport.

Conditions for many arriving passengers at all terminals of the world's busiest international airport are not good. But the traditional complaints of interminable walks, often broken moving walkways, delays in luggage delivery to the carousels and poor catering pale into insignificance against the conditions experienced by non-European intercontinental travellers arriving at Terminal Three.

As the airport gets busier and more people arrive the problems get worse, mainly for people travelling on passports from states outside the EEC. The queues and delays at the passport desks get longer while the humiliation of innocent tourists required to convince overworked officials that they are not illegal immigrants gets more painful. But the transfer of a long and frustrated queue from a Heathrow immigration desk to a British diplomatic post abroad by a requirement that visas should be sought before departure would be a retrograde step which would not solve any of the key problems.

The Government's decision yesterday to introduce such stringent visa requirements for visitor entry to Britain is highly questionable, not least because it will apply only to a handful of countries in Africa and the Indian sub continent—India, Pakistan, Bangladesh, Ghana and Nigeria — all countries from which Britain has a substantial immigrant population. This needlessly confuses the subject of tourist entry with the quite separate issue of immigration. It adds overtones of racial discrimination which could only reasonably be removed by extending the visa requirement to all visitors from non-EEC states—which would be absurd.

The Government is pincered by two problems. On the one hand the Immigration Service Union is processing replies to a ballot on industrial action to protest against the pressure caused as more and bigger aircraft bring more people to their desks; more than 30m passengers a year now use Heathrow, most during the day. On the other hand, immigration remains a sensitive political issue and any apparent easing of control of visitors could lead to accusations that the number of illegal immigrants was rising because the tourist entry rules were too easy to abuse.

Neither argument justifies yesterday's Home Office announcement. The first priority must be to ensure that entry facilities at the airports are sufficient to deal expeditiously and courteously with the rising number of arrivals while maintaining rigorous enough checks to ensure the good faith of visitors and to enable further examination to be made of doubtful cases.

The staff of 2,000 immigration officers should be raised to a level capable of checking the intentions of arrivals and clearing passengers from each flight quickly. Accommodation should be improved as a matter of urgency

There is no doubt that more visitors are being refused entry to Britain from the Indian sub continent and West Africa. The figure in May was 80 per cent higher than a year earlier, partly because more people arrived and partly because more people intent on living in Britain are trying to slip in illegally as visitors, according to the immigration service. But the figure was 1,224 out of more than 2m passenger movements which passport officers had to control. The Government should keep those proportions in mind and seek an alternative way to ease the frustrations of both passengers and immigration officers while filtering out illegal immigrants. Yesterday's response is unnecessarily xenophobic. A reasonable increase in the Home Office's £50m annual expenditure to improve the immigration and citizenship service at Heathrow, rather than sending more staff to British posts overseas, would be simpler and fairer to all visitors to Britain irrespective of their race and nationality.

TOKYO STOCK MARKET

High tide, and still rising

By Ian Rodger and Carla Rapoport

JAPAN'S economy may be slowing down, but the news has not yet reached Kabutocho, Tokyo's stock market district.

The widely watched Nikkei Index has risen an astonishing 44 per cent since the beginning of the year, with half of that increase occurring in a frenzy of activity since mid-May. While many Europeans and Americans have been on holiday, every significant record on the Tokyo Stock Exchange — single day volume, single day rise, single day fall, overall gain—has been shattered.

Unfortunately, it now looks as if this bull run has come to an end. The market, which already seemed highly priced back in January, is now standing on a breathtaking 50+ price-earnings ratio.

This, and many other strange, new phenomena, such as the popularity of steel and shipbuilding shares, are at last making even the most enthusiastic bulls nervous.

"We expect the market to stay firm," says Sachio Hori, manager of the institutional research and advisory department at Nomura Securities, Japan's leading stockbroker. "But it is very difficult to say the market will go up."

As for the bears, they are nervously talking about the possibilities of a 1929-type crash.

However, for the moment, while it is difficult to see how the market can go much higher, it is hard to believe that something could seriously deflate it.

There are two keys to the Tokyo stock market's athletic performance this summer, and neither shows any sign of flagging. The first is a big increase in the amount of money chasing after Japanese shares. More people and companies in Japan have more money than they have ever had, and the slump in bank interest rates has made them turn to the stock market in search of higher returns.

For example, the net inflow of money into investments trusts in the six months to July was Y5,000bn (£21.7bn). Huge new investment funds for institutions sell out as soon as they are put on the market.

Economic growth may reach 3 per cent this year in nominal terms, but the money supply is increasing by about 9 per cent. And with the US intensifying its pressure on Japan to lower interest rates, the flow of funds into the stock market could well increase in the next few months.

Further, Japan's earnings on its overseas investments are increasing dramatically as a result of the growing flow of investment funds out of Japan. The country's net external assets jumped from US$74.3bn at the end of 1984 to $129bn last year. This year, they are expected to hit $200bn, thanks to Japan's growing current account surplus which is expected to top $80bn in 1986.

Meanwhile, there is no increase in the supply of shares to soak up all this money. Indeed, if it were not for the planned mega-share issue of NTT, the national telecommunications carrier, in the autumn, this year's total new issue value would be lower than last year's Y4,500bn.

Most leading manufacturing companies have built up strong liquid reserves in the past few buoyant years and so have no need to raise new capital. On the contrary, they are adding to the demand-supply imbalance in the stock market because, in the current climate of trade friction and economic uncertainty, they are loth to invest surplus funds on capacity expansions or plant modernisation. This also applies to those companies that have reaped windfall profits from lower import prices as well. Instead, these groups are all piling into the stock market.

The Shinjinrui are among Japan's yuppies. Many cut their teeth as bond traders, making a fast turn on a small price move by heavy buying and selling.

The second factor affecting the market is the emergence of a new species of institutional trader, known to the Japanese as Shinjinrui (literally, new mankind).

The Shinjinrui are among Japan's yuppies. Typically, they are in their 20s and work for banks or insurance companies. None of them has ever experienced a market slump. Many cut their teeth as bond traders, and they have brought to the stock market the traders' technique of making a fast turn on a small price move by buying and selling in huge blocks.

The result is an enormous increase in trading volume and share price volatility. The average number of shares traded each day on the Tokyo Stock Exchange in 1985 was 400m. On a couple of days last month volume exceeded 2bn shares. According to Nomura, the direction of the market changed every 1.73 days in July, compared with once in five days in February.

The banks and other financial institutions are largely responsible for this increase. The value of their total transactions has soared 10-fold from Y3,100bn in 1983 to an estimated Y31,300bn this year, compared with the value of total transactions by all investors, which did not quite treble in the same period.

Another apparent effect of the Shinjinrui is the surprising popularity of some rather curious shares. Among the leading gainers this year have been the five biggest steel companies, all of which are losing money and have bleak prospects. Shares of Nippon Steel have jumped from Y159 in late May to Y255 in the past week. Nippon Kokan has doubled to Y300 over three months.

News about these companies' problems frequently has no impact on the market. Last month when a few steel companies announced they would pass their dividends, their shares nevertheless shot up.

Other popular shares include those of utility and shipbuilding and other depressed heavy engineering companies. The crucial point is that these shares are all highly tradeable.

"The Shinjinrui do not know anything about the companies they are dealing in," says Mr Peter Tasker of stockbrokers Kleinwort Grieveson. "And what is more, they do not care."

The concentration on a few easily traded shares is startling. Often these days, the top 10 traded shares in Tokyo can account for more than two-thirds of total trading. Bears like to point out that this churning of a few shares characterised the pre-crash 1929 market as well. However, a major difference is that most of it is now being done with real money, not on margin, so there is no monetary reason why it cannot go on.

Indeed, the current economic outlook suggests that the excess liquidity in the market could continue for some time. By most accounts, the door is now firmly shut on any further advance in the economy coming from the export-intensive manufacturers.

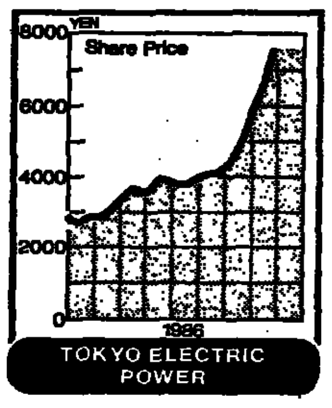
Hardly a week goes by without new pressure being put on the Government to re-orient the economy towards domestic demand, with a new emphasis on improving the country's poor housing and infrastructure. Noises from the Government and leading politicians, including Prime Minister Yasuhiro Nakasone, have been positive but, so far, lacking in specifics.

The problem is that any such reorientation will, say bankers and investment dealers, take a long time, perhaps five years or more, so it will remain difficult to put the country's cash flow to work at home for some time.

If the arguments of the analysts are to be taken seriously, the market has already discounted this major restructuring of the economy.

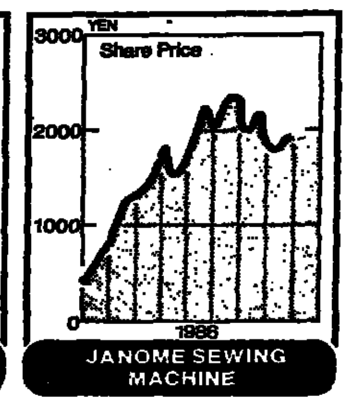
The reason for the popularity of the steel and other heavy engineering companies, they say, is that these companies have factories in prime locations in the Tokyo area. Soon, the story goes, these factories will be flattened to make way for the much more profitable offices of banks and other service industries as Tokyo becomes a more important international centre.

NIKKEI INDEX VERSUS DOW JONES INDUSTRIALS



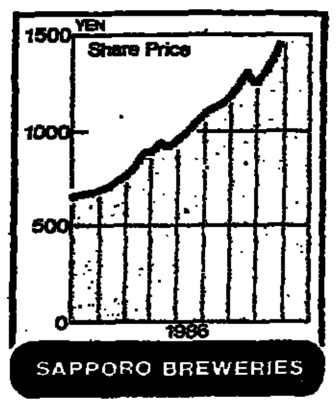
TOKYO ELECTRIC POWER

Tokyo Electric Power has many attractions. As a consumer of oil, it has benefited from the collapse of oil prices. As an operator of a telecoms network controlling power stations, it may become a big player in telecoms now that competition is about to be permitted in that sector. It also has some properties in the Tokyo area that can be redeveloped, and makes more than a few yen from selling power.



JANOME SEWING MACHINE

Janome, Japan's second largest sewing machine maker, made an operating loss this year and is expected to show another next year. Moreover, it has no tantalising assets tucked away. Some brokers believe Janome was a pure speculative play, pushed by stock market clubs of dentists and accountants. Others suggest it was a "political stock," ramped by supporters of a politician needing funds. No one knows for sure, nor why it has now dropped back.



SAPPORO BREWERIES

Sapporo Breweries caught investors' notice this year not because people are drinking more beer, but because of a new property development on the site of an old brewery in a Tokyo suburb. The story is that the profits from the office, hotel and apartment complex will be six times as large as those from the brewery, indeed as big as Sapporo's total profits this year.

Thus, price-earning ratios, as well as being non-existent (these companies are largely loss-makers), are irrelevant. Their shares, the bulls say, should be valued on their true asset value, which in turn should be based on current (very high) property values rather than the ancient actual cost still in the companies' books.

Similarly, civil engineering shares are popular because they will be carrying out all the construction of the new Japan.

Other stories are told to justify the big run in utilities, especially Tokyo Electric Power, which is second only to IBM in market capitalisation following an extraordinary run this summer.

By contrast, the traditional blue chips, like Fujitsu, Matsushita, Toyota and other export dependent stocks, have all underperformed, and stand on relatively low earnings multiples. Sony's price is only 10 times last year's earnings.

Another new factor in the market is the declining role of foreign investors. The behaviour of foreigners used to be a guide for the Japanese, but foreigners have been net sellers since 1984, and the market has carried on merrily anyway.

Foreign traders based in Tokyo say they suffer from the logic enforced by distance. A lot of the action in the Tokyo market does not make sense under normal analytical criteria. But that is not much consolation when it causes you to miss a surge like the current one. This surge has, of course, been even larger for foreigners than for Japanese investors because of the rise in the value of the yen.

At least now it is not only the foreigners who are getting worried. "It's just a big money game," says Mr Masahiko Takai, a general manager at Cosmos Securities, a middle-ranking Japanese brokerage house. "Everyone is speculating on poor fundamentals, so once the sentiment changes, they will rush to sell and we'll see a (short-term) crash."

Everyone has his own idea about what could trigger such a collapse — an announcement of capital gains taxes, an increase in interest rates to quell speculative fever, or a lack of any significant domestic stimulation package this autumn are among those most often mentioned.

Even so, many believe the Nikkei could handle such a setback without much trouble. "In every market you have shake-outs," says Mr Francis Pike, managing director of MIM Tokyo, an investment advisory group. "But even with shake-outs, a bull market can go on for a very long time."

Men and Matters

Gill takes the stage

Ken Gill, this year's TUC president, opened congress business at Brighton yesterday with a powerful, positive speech restating the values of traditional trade unionism.

An impressive performance from one of the trade unions' most important left-wing figures, its vigour was helped by some early morning overtime put in by Gill.

Before 8 am he was standing at the president's rostrum delivering his speech with full rhetorical flourishes to an empty hall.

But even that painstaking rehearsal missed one of those little slips that make golden nuggets for the press.

While typing Gill's speech a secretary failed to correct one slip—which was also missed on checking.

Instead of it reading "We have a duty to trade unionism. We must not allow the victory of evil over good," the copies read, "We have a duty to trade unionism. We must now allow the victory of evil over good."

It was tough for the hard-pressed TUC staff. But they had little choice. The manuscript had to be printed all over again.

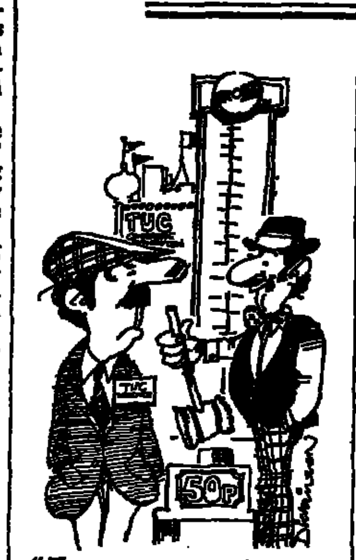
Union rules

Circulating in Brighton among the TUC delegates is Union World-Guide to Brighton, published by Granada Television.

It contains all the tips a delegate needs to lead an impeccable Brighton lifestyle during the conference.

"This year delegates will be able to go into the Grand Hotel," we are told. That has nothing to do with the bombing of that palace and its subsequent rebuilding. Apparently, the hotel used to be subject to a union boycott because of the management attitude. It is now owned by Greenall Whitley, which has a national union agreement and has been put on the GMBATU's "Fair List."

Other information thought useful includes the addresses of two fortune tellers, and how to find the nudist beach.



"Here you are guv—test your Union's muscle"

Eating out is divided without ceremony into value-for-money restaurants, and a second list headed "On expenses."

I'm still puzzling over an exhortation that delegates should only wear boots and shoes bearing the Trade Union Stamp. Will the stewards be checking at the doors?

Excess baggage

The forthcoming struggle in Australian waters for the America's Cup (now just six months away) has almost taken second place in Fremantle to the contest for the hearts, minds and wallets, of the individual and corporate backers.

ySndicates ar taking time off fromtuning up their yachts to establish shoreside clubs for sponsors and other corporate heavyweights with open cheque-books.

First off the mark was the Italia syndicate fuelled by Gucci money. Its Casa Italia, also known as the International Business Club, is aiming for 300 members at A$3,000 a head. For that they get a beautifully designed bar and clubhouse, with a restaurant, in the heart of the port of Fremantle and within sight of the 12-metre docks.

Britain's 12-metre sponsor, Graham Walker, is not conceding the battle on land to the men from Milan, however. An even more exclusive British supporters' club is under construction inside a Victorian building just down the street.

Since Walker is selling privacy and exclusivity no one is saying much. Yet he hopes to sell some 200 memberships at A$7,500 a head. Facilities will be similar to Casa Italia, but more in the style of London's St James's clubland.

Not to be outdone, the Aga Khan's Azzurra team has bought premises halfway between the two clubs I have mentioned to operate a restaurant and bar. Ciga Hotels, owners of the Gritti Palace Venice, will assure it of style by managing it.

The New York Yacht Club has even built a viewing balcony over the dock from which visitors can watch the boats being prepared without distracting the crews.

The sailors are calling these visiting fat cats "EB"s — excess baggage.

Low flying

A summer fares war between airlines competing on the busy London-Dublin route seems to have pleased the customers, if not all the airlines involved.

Figures from Aer Rianta, the state body which runs Irish airports, show a 12 per cent rise in UK traffic passing through Dublin airport recently.

Much of the credit for that is being claimed by Ryanair, the independent Irish airline set up this year. It started in swashbuckling fashion by offering lower fares than the levels previously enjoyed by Aer Lingus, British Airways, and Dan Air.

So pleased is Ryanair with its success so far that it is distributing I£100,000 worth of shares among its 93 staff, and has plans for a similar tranche to be given away later in the year. Ryanair's British Aerospace 748 turboprops have been more than 90 per cent full on its 78 flights a week between Dublin and Luton — thus scotching the forebodings by critics of the new service that London travellers would not be interested in a service via Luton.

The irony is that Ryanair no longer offers the cheapest flights. Its unrestricted Dublin-Luton return fare of I£94.99 is the lowest non-conditions ticket.

But the other airlines are offering Apex tickets for as little as I£74. Aer Lingus and British Airways actually go as low as I£69 on a special "late saver."

Jim Mitchell, the Irish communications minister, may hold the key to Ryanair's future.

He has delayed a decision on whether to allow Ryanair's application to fly bigger, faster jets to Luton — a move which would sharpen its competitive edge. Not unnaturally Ryanair is uneasy about the dual role of the Irish government as rule-maker, and also sole shareholder of Aer Lingus.

Typecast

People simply don't understand science and scientists, complained Sir George Porter, president of the Royal Society, in his address to the British Association in Bristol last night.

He told how Sir John Hill, physicist and former chairman of the UK Atomic Energy Authority, once found himself in a crowded train with a party from a local mental hospital.

Who are you? asked the nurse, checking her party. "I am chairman of the Atomic Energy Authority," Sir John replied. "Ah, yes.... four, five, six," the nurse continued counting her charges.

Observer

GENERAL PINOCHET'S CHILE

The divisions deepen, the pressures mount

by Robert Graham, Latin America Editor

BOASTS have a nasty habit of backfiring. General Augusto Pinochet, the military ruler of Chile, is learning this to his cost. Almost 13 years after overthrowing the Popular Front Government of the late President Salvador Allende, his boast of ushering in a new era of order and stability is turning sour.

Armed violence by the underground opposition is on the increase and Chilean society is becoming ever more polarised over the future of Gen Pinochet's dictatorship. This political uncertainty in turn risks undoing a broad-based economic recovery and affecting Chile's unsurpassed reputation in Latin America for complying punctiliously with the service of its $20bn foreign debt.

Chile's most important ally, the US, is starting to show concern. Mr Elliot Abrams, Assistant US Secretary of State for Inter-American Affairs, warned recently: "Failure to return to democracy will be accompanied by increasing polarisation and violence. The strengthening of the Far Left in Chile resulting from this could have a negative impact on some still fragile democracies elsewhere in the region and jeopardise US interests."

In the first six months of 1986, there were 267 publicly recorded acts of terrorist violence in Chile, according to the pro-government daily El Mercurio. The incidents ranged from blowing up power pylons and assaults on police stations to incendiary devices in shops and small car bombs.

Last month the authorities announced the discovery in the arid, isolated north of the country of a series of large arms caches whose weaponry included M-16 rifles captured from the US in Vietnam and new Czech rocket launchers and grenades. Western diplomats say the material is sufficient to equip 2,000 men. It is the biggest such find and the Government has accused Soviet fishing vessels of dropping the equipment off the Chilean coast.

The climate of violence is not one-sided, however. Opposition parties from the Christian Democrats through to the Communists are convinced the violence is directly attributable to Gen Pinochet's refusal to countenance democratic reforms. Under US pressure he lifted the state of siege last year, but a state of emergency is still in force with a curfew from 2 am to 5 am in Santiago.

According to independent human rights organisations, approximately 3,300 persons were detained in the first six months of 1986 for participating in politically motivated demonstrations.

Two days of protests organised by a newly-formed Civic Assembly, mainly composed of Christian Democrats, resulted in eight deaths. Among them was an American-domiciled student, 19-year-old Rodrigo Rojas Denegri. Together with a 19-year-old girl, Carmen Gloria Quintana, he was doused with petrol by members of the security forces, set alight and then dumped by a roadside. Before he died, Mr Rojas publicly accused his attackers and Miss Quintana, though still in intensive care, also gave evidence which led to the arrest of a number of military personnel. The incident has had a deep and lasting effect on public opinion.

"Many of us were disgusted by what happened," says Mr Maximo Pacheco, vice president of the Chilean Human Rights Commission and a former Christian Democrat Minister. "But there are others on the Right who support Pinochet and they either refuse to believe what happened or just turn a blind eye. The situation is polarising fast between those for and against Pinochet."

The continued strength of Gen Pinochet stems from the military's backing and the way military personnel are involved in all aspects of government from the ruling junta and Cabinet to ministries and local administration. He also enjoys the support of the Right, which represents the bulk of the business community.

There are two important new elements, however, in the climate of violence and protests. The first is the amount of armed violence by the underground opposition, the second is that both the Government and the opposition are now aware that Gen Pinochet must soon give a clear indication of his future intentions.

"For the first time Gen Pinochet has created a real political deadline," says Mr Andres Allamand, one of the reformist members of the National Union, the main right-wing party which traditionally supports the general. "Pinochet has to decide whether or not he will stand for re-election to the presidency in 1989, which could give him another eight years in office. He has enough support to stay on until 1989; but not even in the armed forces is there now unanimity that he stays on after that."

Gen Pinochet is 73 years old and separated by 13 years in age from the oldest active members of the military hierarchy. He is physically fit and there are well-publicised pictures of him jogging. But his speeches are rambling and he is said to suffer from bouts of depression.

Under the 1980 constitution, which established the mechanisms for the 1989 Presidential election, Gen Pinochet has the power to nominate himself. In any case, the constitution stipulates a sole government-selected candidate to be voted on in a simple Yes/No plebiscite.

The problem is not merely one of a single candidature. The constitution, if followed, thereafter permits a tightly controlled transition to democracy, which gives the military institutionalised powers of veto.

Last month Gen Pinochet said he needed to stay in power until 1998 in order to ensure that his "new order" was properly established in Chile. This produced a swift rejoinder from the Air Force and Navy members of the junta. They pointed out their commitment to Gen Pinochet was only until 1989. Since then, Gen Pinochet has made more ambiguous comments. Nevertheless in Santiago today no one doubts his desire to have a legalised life tenancy; and to achieve this he is a following a four-fold approach:

- Ensuring the total solidarity of the military.
- Keeping the opposition divided.
- Playing on public fears of armed revolution.
- Winning support through a more populist economic policy.

The Chilean military is considered the most disciplined in Latin America, with a strong tradition of obedience to orders. Gen Pinochet is also able to play on the military's fears that a transition to democracy would entail attemps to conduct trials for human rights abuses.

The opposition, on its own admission, is weak and divided, hampered by living in a legal and political limbo. Last year a concrete step towards unity was taken when a broad range of opposition groups from former Pinochet suporters through to elements of the Socialists on the left subscribed to a National Accord. This called for a gradual transition to democracy centred round a genuinely democratic alternative in 1989. The Accord has the backing of the Catholic Church and the Communist Party has also given strong hints of its tacit approval.

However, Gen Pinochet has refused to recognise the Accord and has sought to discredit it. In particular, he has sought to exploit civic protest movements by claiming they lead to anarchy and instability. At the same time the Christian Democrats have been smeared by a campaign which has focused on their routine contracts with the Communists.

The Communists themselves have been singled out as the chief bogey. The Chilean Communist Party is the largest in Latin America and thoroughly pro-Moscow. But it is a curious irony that so much attention should now be given to discrediting it (implying strength) when the party's elimination was one of Gen Pinochet's declared objectives on seizing power.

The final element in Gen Pinochet's strategy is due to be implemented next year and centres on a move to a more populist economic policy. With growth this year over 5 per cent, senior government officials are convinced Chile has begun a broad-based economic recovery that would lead to a more expansionary policy next year, increasing public sector investment especially in housing. This year company profits are looking healthy, inflation has been held so far to 17 per cent (on an annualised basis) and the public sector deficit is no more than 2.3 per cent of GDP, thanks to lower crude oil prices, falling international interest rates and a surge in agricultural exports. The external account has improved—though it is still in deficit to the tune of $1.2bn.

With this recovery, officials believe wages can be increased next year and further dents can be made in the high level of unemployment. Officially this stands at 12 per cent; but taking account of those only partially employed the figure is around 17 per cent and unofficially it is reckoned to be over 20 per cent. Reliable opinion polls show that the main public interest is not politics but economic issues and the cost of living. High unemployment, low wages and the lack of housing are the major sources of discontent.

The military is itself confused over what stand to take on the future of the presidency which is so linked to its own future.

The moderate stand of the opposition—at least those subscribing to the National Accord—has made it easier for foreign governments to back its demands. External pressure is building up on Gen Pinochet to democratise. The US last month publicly threatened to use its powers to block loans to Chile. The first test in this respect will be a $250m World Bank Structural Adjustment Loan due to be agreed in late October, to be followed by three Inter-American Development Bank loans totalling $293m

"There is still room in the middle to prevent further polarisation—but not for much longer" says Mr Pacheco. "Pinochet's policies are driving people away from moderate politics and into the hands of the Communists." There is a widespread belief, however, that Gen Pinochet now needs a degree of permanent instability precisely so that he can present himself as the sole alternative to chaos. If this is the case, Gen Pinochet may be putting the survival of his regime before the future of Chile.

Lombard

The next BBC Chairman

By Samuel Brittan

IT WOULD be unfortunate if the sad and untimely death of the BBC chairman, Stuart Young, were to be followed just by a factional battle between supporters of different candidates for the succession. For far more is at stake than rival personalities.

The plain fact is that the present two-tier structure of 12 governors sitting on top of a 10-man professional board of management does not work. Officially the governors "are the BBC," and often say so. But they do not have the professional knowledge or full-time commitment to run it.

The peculiar status of the Board of Governors was exemplified when their decision to watch the celebrated *Brief Lives* programme on Northern Ireland in advance was attacked within the corporation as an intolerable interference. Maybe it was, in terms of precedent. But what kind of board of directors is one which is expected to distance itself from the organisation it is supposed to run?

Anyone who has spent any ime in broadcasting circles cannot help being struck by the appalling relations between the BBC professionals and the governors. Example after example is given of petulant but ineffective intervention. The governors are also feared, because they have the final power of appointment to key BBC posts. But the one feeling they fail to generate is respect.

These facts were acknowledged in one little-noticed sentence in paragraph 584 of the Peacock Committee Report. "The BBC's administrative structure seems to generate more than the usual amount of tension associated with large corporations organised on hierarchical lines."

If the future of broadcasting lies with direct competition for the viewers' and listeners' custom, supplemented with financial support on Arts Council lines, then the way out of the present mess is not to devise more effective methods of regulation. The last sort of person we need as the chairman is an authoritarian business personality.

If the BBC is to hold its own on the more competitive broadcasting world, it needs an effective one-tier board of directors. The present status of the governors could not be ended without legislation. But there could be a gradualist approach. A chairman could be appointed with effective broadcasting experience; and then as vacancies occurred new governors could be appointed from among BBC professionals, until we ended up with an effective board, of mixed inside and outside appointments, as normal elsewhere.

The best conventional choice would be Lord Barnett, the former Labour Chief Secretary to the Treasury and recently appointed deputy chairman. He has the political touch, lacking in the obviously hard-line candidates, but is much tougher than some of the consensus Conservatives, whose names have been trailed.

But I would adopt a different approach. Few people have realised what a tough financial discipline the indexation of the BBC licence fee recommended by Peacock for the next decade or so, would be. If in addition something could be done about the bidding-up of costs from the IBA side—say by a competitive tender for franchises—the BBC could be chaired by a professional broadcaster, with some business experience and with known independence of outlook.

The really imaginative choice would be Peter Jay, who has far more understanding of market economics, and would be much more committed to it in broadcasting than the driest of Conservatives.

But if that is too much to ask for, then my choice would fall upon Sir Alastair Burnet, who is both a member of the ITN board and presenter of News at Ten, which is far and away the best television news programme. He should be acceptable to the present Government, but at the same time would be respected by professionals of all political persuasions.

But the main point of appointing a Burnet or a Jay would not be to pay tribute to their personalities, but as a first step towards an at least partly professional Board of Governors, which really would run the BBC in place of the present muddled quasi-judicial role which the governors now occupy.

Letters to the Editor

Changing trades unionism

From Mr A. Cave

Sir,—Philip Bassett's feature on Britain's trade unions (August 28) thoughtfully ran through some very big issues. The biggest of these is how trade unions adapt themselves in a period of rapid structural and technological change.

Certainly, as he argues, there is no room for complacency in the face of important trends which the GMB has done much to highlight.

A continuing shift is likely in the share of overall employment between manufacturing on the one hand and service industries (and ancillary occupations within production industries) on the other.

Since 1983 nearly all the new employment recorded has been for female part-timers — a trend likely to continue. This means a major shift in work from areas characterised by reasonably strong organisation and settled industrial relations to those in which employment is much less secure. Further the new breed of employers — egged on by the Government's policies — are often hostile to any proper regulations or organisation.

It is largely this analysis that has led to demands for a new system of legal rights to give protection to a workforce increasingly shorn of the sort of safety net taken for granted in other countries, and provided in the traditional industries by trade unions. What we are addressing is not so much the decline of these traditional sectors as the development of new ones.

The task for unions will then be to make these rights real and effective for workers: monitoring their application, taking up cases, acting as enforcers and so on.

All of this however, assumes a strong and continuing presence for British trade unions, the very thing which Philip Bassett's piece brings into question.

He claims a ten per cent fall in the density of union membership in manufacturing — "trade unionism's core." If this had been the case, added to the problems of organising in the high-tech sector and in the service industries, comparisons with the US and France where the position of trade unions in the economy has been badly squeezed, would be valid.

In fact this has not been the case. Manufacturing employment has fallen by 24 per cent since 1979 (rather than the 13 per cent quoted), exactly the amount by which union membership there has fallen. Trade unionism has kept its place in the economy to an extent which, considering the political and legal onslaught, has been a major achievement.

The "wasting disease" of the last seven years is therefore one whose primary victim has been the British economy — not the trade unions.

The movement's response to the policies that have caused such damage, both to the economy and to the rights of workers within it — the issue raised in Philip Bassett's article — will be the focus of this week's TU Congress.

Alan Cave,
(Research Officer),
General Municipal Boilermakers and Allied Trades Union,
Thorne House,
Ruxley Ridge,
Claygate, Esher, Surrey.

Radiation is always there

From Dr L. Brookes

Sir, — Mrs Ann Barrett (August 27) makes one despair of ever being able to counter the deluge of superstitious nonsense about nuclear energy that daily appears in the newspapers and on television. Her highly emotive but hypothetical "seeing my children . . . dying of leukaemia," her rhetorical "how can routine discharges (from nuclear power plants) ever be made safe?" and her opinionated assertion "intelligent people know that . . . radiation is accumulating all the time" are typical of what one sees in the correspondence columns of some newspapers every day.

The radiation dose to individual members of the public from routine nuclear plant operations is minute — actually less than from the emissions of coal-fired stations; and even when other nuclear industry operations (eg at Sellafield) are added the dose is still only between one thousandth and half of one thousandth of radiation of all types (natural and man-made); and only about one hundredth of the dose from all types of man-made radiation. In some parts of the country the background radiation dose (which constitutes by far the greater part of all the radiation we experience) is five times the UK average and in some parts of the world it is hundreds of times greater. So the dose from nuclear power plants is very well within the variation from place to place and since there is no detectable correlation between the total radiation dose in any locality and the incidence of cancer and similar diseases one marvels that "intelligent people" persist in centring their fears of radiation-induced illness on the minuscule effects of nuclear power operations instead of on the over one thousandfold larger radiation dose from other sources. If Mrs Barrett is really worried about the effects of radiation on her children she should first remove any draft proofing from her doors and windows because it tends to retain naturally occuring radon gas (the largest single source of radiation we experience) in the house. Even this would overlook that 99 per cent of cancers are attributable to causes other than radiation.

Sad to say, apart from accidents, leukaemia is the largest cause of death in childhood. It was with us before we had nuclear energy and would remain if we outlawed it. Blaming nuclear power for it is reminiscent of the way witches were blamed for the *ills of children* and livestock a few centuries ago.

(Dr) L. G. Brookes.
16, Ipswich Road,
Bournemouth, Hants.

The image of hotels

From the Director,
Low Pay Unit

Sir, — The British Hotels, Restaurants and Caterers Association tells us that some chefs earn as much as £30,000 a year (August 29). Well they might. But how this is supposed to refute the Low Pay Unit's assertion that the hotel and catering industry also suffers an endemic problem of low pay remains a puzzle.

It comes as no surprise that the employers, who are seeking to impose wage cuts of up to 17 per cent for already poorly paid staff, should dislike the conclusions of the Low Pay Unit report. Yet the findings of the study are based firmly on Department of Employment data which show that 63.5 per cent of the industry's adult workforce earns less than the Council of Europe's decency threshold and that nearly 40 per cent of establishments visited last year by government wages inspectors were found to be illegally underpaying members of staff.

The energies of the association would be better used seeking to improve the image of British hotels and catering, which has been so badly tarnished by its reputation for poor employment practice and low wages.

Chris Pond.
9, Upper Berkeley St, W1.

Overcoming racial conflict

From Mr Cedric L. Joseph, Head of the Presidential Secretariat, Guyana.

Sir, — Malcolm Rutherford writes (August 2) that the Commonwealth Secretary General, Sir Shridath Ramphal, a Guyanese, is from a country perhaps more torn by racial conflict than almost any other.

That statement about racial conflict is entirely inaccurate and is totally unsupported by the events over the last 20 years and particularly during the recent years.

The period immediately preceding independence in May 1966 was indeed marked by internal disturbances and civil upheaval. It therefore became a compelling priority of government to build across racial lines and to mould the multi-racial Guyana which exists today.

The transition which followed the death of President Forbes Burnham in August 1985 records that stability and social harmony. Not many can boast of this and it is a pity that your correspondent affects to be unaware of these developments.

Cedric L. Joseph,
Office of the President,
Georgetown, Guyana.

Acts of insanity

From Mr R. G. Theobald

Sir,—I wholly agree with Mr Ruddock's sentiments in his letter Revising Tax Legislation (August 28) but surely the ultimate in insanity is the Insolvency Act 1986 (321 pages) which repeals parts of sub sections, sub sections, sections and blocks of sections of both the Insolvency Act 1985 (245 pages) and the Companies Act 1985 (630 pages)

For example, it repeals in full sections 1 to 11, 15, 17, 19, etc, of the Insolvency Act 1985 and sections 467 to 485, 488 to 650, 659 to 664, etc, of the Companies Act 1985.

Section 16 of the Insolvency Act 1985 (not repealed) starts: "Where a court makes a declaration under . . . section 630 of the 1985 Act . . ." Section 232 of the Insolvency Act 1985 explains that "the 1985 Act" means the Companies Act 1985 However, as noted above, under the Insolvency Act 1986 section 630 of the Companies Act 1985 has been repealed.

What is the purpose of such legislation?

R. G. Theobald.
Two Gates, Orchehill Avenue,
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FINANCIAL TIMES

Tuesday September 2 1986

UK banker urges rethink on market regulation

By David Lascelles, Banking Correspondent, in London

THE TASK of creating an international regulatory system for the securities markets may fall better to market practitioners than to official regulators, according to a senior official of the Bank of England.

Addressing one of the key issues arising from the growing integration of capital markets around the world, Mr Michael Hewitt, head of financial supervision, said yesterday that efforts by governments to co-operate in regulating them "look rather piecemeal".

His remarks appeared to cast doubt on the ability of securities regulators to match the international approach achieved by bank supervisors through the so-called Basle Concordat. He said the securities markets lacked the homogeneity of banking and were subject to widely differing national laws.

There was "no global Securities and Exchange Commission in prospect", he told a legal conference in Singapore.

Governmental efforts so far have consisted mainly of exchanges between countries such as the UK, the US and Japan, in the hope that a sufficient number of bilateral agreements would eventually produce an ordered international system with a consistent underlying philosophy.

But, Mr Hewitt said, it might not be practicable for securities regulators to identify common problems, develop co-operation and encourage good habits in the markets to the same extent as the banking authorities. Instead, he believed that market practitioners, such as the Association of International Bond Dealers, might have a better chance of instituting a multilateral, if limited, market regulatory system.

Even so, this should not stop official regulators from jointly assessing the problems and trying to spread good habits, he said. The AIBD is the trade association of the Euromarkets, and has been involved in devising a self-regulatory regime for the international capital markets in London.

Earlier this year, the securities regulators of the US, the UK and Japan agreed to work more closely together to combat abuses. The SEC has also proposed that prospectuses issued in one country should be recognised in another.

Swedish groups to buy big stake in Fermenta

BY KEVIN DONE IN STOCKHOLM

MR REFAAT El-Sayed, the majority shareholder and group chief executive of Fermenta, the Swedish chemicals and biotechnology group, is selling around half his stake in the company to several Swedish interests in deals worth at least SKr 1bn ($145m).

At the same time he is continuing negotiations with Montedison with a view to the Italian chemicals group eventually acquiring a majority voting stake in the company, and the ownership changes announced yesterday appear in part to be only a transitional arrangement.

Mr El-Sayed originally announced an agreement in principle in early July to sell his entire Fermenta holding – 78 per cent of the votes and 44 per cent of the equity – to Montedison subject to the approval of the local trades unions in Sweden.

The unions rejected the deal at the beginning of last week. They called on Montedison initially to take only a minority stake and urged Mr El-Sayed to remain in the Fermenta management.

The deal goes a long way towards removing their objections, and was warmly welcomed yesterday. At the same time it solves Mr El-Sayed's most pressing personal financial problems and should stabilise – at least temporarily – ownership of Fermenta.

Montedison said last night that "the solution chosen by Mr El-Sayed falls precisely within the framework of the agreement between ourselves and Fermenta. We will continue to negotiate with Mr El-Sayed and expect that this will lead to gradually building up a majority shareholding in Fermenta."

According to yesterday's announcement, which follows 10 days of intense negotiations Mr El-Sayed has reached the following agreements:

- To sell 3m A-shares, representing 32 per cent of the votes and 7.6 per cent of the equity, to Investment AB Beijer, the investment company controlled by Mr Anders Wall, the Swedish financier, Industrivaerden, an investment company closely associated with Svenska Handelsbanken, and Procordia, the Swedish state holding company which has interests in both chemicals and pharmaceuticals. Each company will buy 1m A-shares at SKr 200 per share.
- To sell 3.6m of his approximately 11m B-shares in three transactions.

At current market prices the deals should be worth at least SKr 1bn to Mr El-Sayed.

Sharemarket report, Page 40

ICI consolidates paint market lead by buying German Inmont

BY IAN HAMILTON FAZEY IN MANCHESTER

IMPERIAL Chemical Industries of the UK, the world's biggest paint maker, yesterday made its second major foreign paint acquisition within three weeks, buying the West German interests of Inmont from BASF.

BASF bought the US-based Inmont last year from United Technologies for $1.49bn, but the German federal cartel office has insisted that BASF should divest itself of Inmont's West German subsidiary, which was previously known in paint markets as Bonaval.

It has a factory in Bonn, employs 330 people and has a distribution network throughout West Germany and Austria.

Neither company will reveal how much has been paid, although ICI says the value of the transaction is less than 1 per cent of its assets. Compared with ICI's £390 ($581m) purchase of Glidden in the US from Hanson Industries last month – which made ICI the world's biggest paintmaker – the latest acquisition looks small, since Inmont's German sales were DM 76m ($37.3m) last year.

But it gives ICI a crucially improved foothold in Europe in one of its core businesses, vehicle refinish (VR). This is a high-technology market segment concerned with the repair of damaged paintwork on cars.

The paints used fetch high prices for very small volumes and the market is impervious to economic cycles because motor accident rates are fairly constant.

At 30m litres, the West German market is the biggest in Europe. All but 5 per cent of supplies come from Hoechst of West Germany, BASF, Akzo – the Dutch market leader – and Inmont.

With nearly 40 per cent of European car production concentrated in West Germany, the purchase also gives ICI a route into that marketplace for its pollution-free waterborne paint technology, developed to eliminate solvent emissions from car factory paint shops. ICI claims an 18-month lead in this field.

ICI is already the world's largest supplier of VR paints outside the US. The world market is worth at least £1.2bn a year.

In 1984 it bought Valentine in France as part of this strategy but home market monopoly considerations prevented it buying the French company's British interests. Ironically, BASF stepped in to do so and, with the acquisition of Inmont last year, started to challenge ICI for British market leadership in VR.

ICI will now be carrying the fight back to BASF's home base. The VR segment accounts for two-thirds of Inmont's West German turnover.

Sharemarket report, Page 40

GrandMet unit in $37m deal

BY LISA WOOD IN LONDON

GRAND Metropolitan, the UK foods and hotels group, is paying $37m through its International Distillers and Vintners subsidiary for the US distribution rights for Amaretto di Saronno, the Italian almond-flavoured liqueur brand.

IDV has a substantial US drinks portfolio which includes J & B Rare, Baileys' Irish Cream, Malibu Rum and Sambucca Romana, the worldwide distribution rights to which it acquired recently.

The acquisition of the US distribution rights to Amaretto di Saronno forms part of the Grand Metropolitan strategy to concentrate in certain main trading areas its brewing, retailing and food operations in the UK and branded consumer products and services internationally.

During the last 12 months it has withdrawn from brewing in Europe outside the UK and split from Mecca Leisure, the bingo, dance and holiday group.

Amaretto di Saronno, the third best selling liqueur brand in the US, was introduced to the US market in 1965 by Foreign Vintages, part of Glenmore Distilleries.

Illva Saronno, Italian manufacturer of the liqueur, said the decision to change distributors was based on the need to strengthen its worldwide distribution.

Grand Metropolitan's other US activities include Pearle Health and the Liggett group, a business which includes tobacco and dog food products. Paddington Group and Carillon, Grand Metropolitan's US drinks distributors, came as part of the Liggett acquisition in 1980. Grand Metropolitan is believed to be negotiating to sell the troubled Liggett cigarette business.

UK home computer makers are back in profits

By David Thomas in London

ACORN, the computer company based in Cambridge, England, has moved back into the black for the first time since it was twice rescued last year by Olivetti, the Italian electronics group.

Apricot, the computer maker based in Birmingham, England, has also been trading profitably for the first four months of the financial year. It expects to announce profits for the half year, its first since it plunged into the red last year. Both companies were among the most noted casualties of the downturn in the UK electronics industry last year.

The improved results for the two companies, both of which had to rethink their product strategies, suggest that the worst of the troubles which have shaken the UK computer industry may now be over.

This news comes on the eve of the launch today of the long-awaited IBM-compatible computer by Amstrad, the consumer electronics group, which Amstrad is planning to sell in large volumes.

It also coincides with the launch by both Acorn and Apricot of significant extensions to their products ranges.

Acorn, which had a first-half operating profit of £298,000 ($444,000) on turnover of £19.6m, announced yesterday a new microcomputer, the BBC Master Compact. This is at the bottom end of its BBC Master Series, introduced in January.

The compact is to be marketed in Italy by Olivetti. This will be the first time Olivetti has distributed an Acorn machine since it acquired almost 80 per cent of Acorn's shares last year.

Mr Brian Long, Acorn managing director, said he anticipated two thirds of Compact's sales, which he expected to be considerable, would be abroad, with half of those in Italy.

Apricot yesterday completed its new product strategy with a series of announcements including: two new IBM-compatible machines: the Xi 10, costing £1,999, which has a 10 megabyte hard disk memory; and the Xi 20, costing £2,499, with a 20 megabyte memory; price cuts for its other personal computers; an upgrade policy – which it describes as unique – which allows customers to move up its range, including from its personal computers to its mainframe systems; and development of a new machine, based on the new 386 microprocessor, which has greater processing capacity than existing microprocessors, for delivery next year.

Results details, Page 29

THE LEX COLUMN

Soft landing for Norsk

Norsk Data has been warning for years that its business must one day reach maturity, but it has gone on behaving like a corporate Peter Pan. The last 13 years have seen compound rates of increase in Norsk's sales of nearly 45 per cent and pre-tax profit of 60 per cent: the problem, if there has been one, has been the excessive share of revenue passing into profit.

Haunted by fears that a sudden brake on sales growth might put its share price on the skids, Norsk was making cautious noises in 1982 and then all but doubled profits the next year. This time, the warning is more likely to come true. With the Norwegian economy slowing down and yet further market share hard to gain, there are limits to what even Norsk can achieve in the UK, France and West Germany. It does look as if Norsk will be doing well to increase revenues at more than a miserable 30 per cent next year, or about twice the European market itself.

Yesterday's interim results to June were all the more remarkable given the flat order intake from Norway. Sales increased by 40 per cent but, if this was slightly under budget, there was no resulting cost pressure in what must be one of the most productive companies about: pre-tax profits were up 48 per cent to NKr 165m, despite the deferral of the profit from an important Indian contract.

Even on a prospective p/e of 18 – at yesterday's £21¼ up ⅞ – investors might accept slower growth in return for earnings quality. These figures show that Norsk has broken its infantile dependence on its home market; and, given its small penetration even of its chosen European markets, Norsk can probably go on gaining share at the expense of its American competitors even after doubling sales in the UK and France in the six months. Eventually, Norsk will have to pluck up all its courage to attack the US market, where different rules apply as the likes of Ericsson will testify. But not quite yet.

Acorn

It is a year since Acorn's second financial rescue and yesterday's progress report suggests that a pre-tax profit is in sight. An interim loss of £140,000 is neither here nor there compared with the £15.8m loss in the first half of 1985. The painful, drastic surgery has been completed, and Acorn is expanding once more. In some ways the recovery will be harder to manage than was the cutting. While Acorn can surely resist temptations to go back to its old ways of competing in mass-market products and has largely escaped from the Christmas trade, its growth may now be constrained.

The BBC Master series appears to be selling well, and if the compact version launched yesterday lives up to expectations, Acorn will have to start raising stock levels, so desperately reduced, to cope. The small amount of warehouse space left after the restructuring is full to bursting, and staff numbers are rising by the week. As a result, Acorn must take on high volume, low margin work – such as the deal with Olivetti – to spread the expanding overheads across, and even so borrowings and the interest charge are increasing. Meanwhile it is imperative that research and development spending, about a third of overheads, is not reduced.

All that points to the need for yet more equity capital at some point, with the natural assumption that Olivetti will then reduce its stake from the near 80 per cent it now holds. Clearly Acorn wants to keep its USM quotation for that purpose although its continued existence on the market seems curious when only 6 per cent or so of the shares can be freely traded. Acorn's profit revival is unlikely to be fast enough to make the shares, at 58p up 12p yesterday, attractive on a 1986 or 1987 multiple. A dividend payment is still a long way off and the only, unenticing, certainty seems to be a rights issue.

Fermenta

To say that Montedison's negotiations to take control of Fermenta have taken some twists and turns is an understatement. After a week in which Montedison and Fermenta executives have pursued each other in a dog-fight between Milan and Stockholm it seems that Mr Refaat El-Sayed of Fermenta has managed to strengthen his own position within the company without snapping the Italians' patience. By selling shares carrying 32 per cent of the votes to three Swedish companies Mr El-Sayed will be able to pay off sufficient of his SKr 1.4bn personal debts to continue the talks with Montedison without the sword of Damocles over his head. At the same time two of the new shareholders have indicated that they are happy to transfer their shares to Montedison, no doubt after making a turn.

It is not clear how much of the remaining El-Sayed voting stake of 46 per cent Montedison is after, but presumably the Swedish entepreneur will want to retain sufficient votes to deter Montedison from its plans to reduce his role to that of consultant. The sharp fall in Fermenta shares yesterday, after a week's suspension, recognises nevertheless that Montedison is unlikely to need to bid for stock in the open market in order to achieve its aim of long-term control, so shareholders will be locked into a minority. It is high time that Sweden adopted the rule that a bid for control of a stock should involve an offer for all the equity.

Pretoria tries to boost trade links with Asia

Continued from Page 1

sue but seems prepared to follow the US and European lead.

Last October, Japan announced a ban on computer sales to government bodies enforcing apartheid, including the security forces, and also banned the import of krugerrands following President Ronald Reagan's executive order last September which announced these restrictions in order to ward off pressure for a tougher sanctions package in Congress.

Japan is South Africa's second largest trading partner after the US, even though the Japanese authorities have barred direct Japanese investment in South Africa for the past decade. In 1985, South African exports to Japan, mainly minerals, rose 44.5 per cent to R2.83bn ($1.08bn) while imports from Japan, mainly automobile parts and machinery, fell by 18.6 per cent to R2.28bn, reflecting the sharp downturn in the South African motor industry.

Toyota is currently the market leader in the South African car market, where Honda, Datsun, Mitsubishi and Hino are also present through franchising deals with South African-owned car and truck assemblers.

UK visa rules called racist

Continued from Page 1

have on opinion in the countries concerned. Mr Tim Eggar, Under Secretary at the Foreign Office, called in diplomatic representatives of the five countries yesterday to explain the position and allay their fears.

Sir Geoffrey Howe, the Foreign Secretary, was at yesterday's Cabinet meeting and reluctantly accepted the proposal, admitting that a serious problem did exist. It was denied that there was a split between him and Mr Hurd.

The scheme will mean that 50 British emigration staff will have to go to the countries concerned in order to vet the visa applications on the spot. A further 50 staff will have to be recruited locally.

Some Foreign Office officials are unhappy about the scheme and maintain it will cause frustration and resentment as applications build up in the five countries

Mexican president defends policies

Continued from Page 1

trade, he argued, would now become "the motor of more autonomous and egalitarian growth," and forecast record non-oil exports of $9.5bn this year, covering 80 per cent of imports.

For the remaining two years of his administration, which leaves office in 1988, he called on Mexicans to "consolidate what has already been achieved," and noted that their efforts would now be in the context of a programme for restoring growth, following July's innovative deal with the International Monetary Fund.

The IMF accord, the first stage of Mexico's renegotiation of its foreign debt, contains contingent financing agreements designed to steer the country back towards growth of 3 to 4 per cent of gross domestic product over the next two years, from an expected contraction of national output this year of about 5 per cent.

In the second stage of the renegotiation, which envisages total new money of $12bn for the next 18 months, Mexico last week asked its international bank creditors for a sharp reduction in the interest margin it is paying on the $48.7bn multi-year rescheduling finalised last year.

Mr de la Madrid reminded Mexico's creditors yesterday that he would be seeking a reduction in the cost of debt service through concessions on both old and new debt.

The president also announced that international reserves had fallen to $4.5bn from $5.8bn at the end of last year. Liquid reserves are thought to stand at around $2bn, but following last week's conclusion of a $1.6bn bridging finance agreement, Mexico is now expected to be able to meet both its imports and debt service bill while what are expected to be lengthy negotiations with the banks continue.

In reply to increasingly vociferous criticism of Mexico's de facto one party system, Mr de la Madrid noted that Mexico had become a much more complex society "with new groups emerging politically and socially with a much greater force than we are accustomed to."

He warned, however, that "minority groups" were using the crisis as an excuse to try to "overturn the system derived from the Mexican Revolution" of 1910, in an implicit reference to the right-wing National Action Party, whose deputies boycotted yesterday's ceremony in protest at ballot rigging in the northern state of Chihuahua in July.

Only hours before the ceremony, the authorities negotiated the withdrawal from the Congress building of a group of left-wing deputies on hunger strike. The hunger strikers were protesting against alleged ballot fraud against their party last month in the southern state of Oaxaca.

Mr de la Madrid said yesterday that all this year's elections had been carried out "with respect for the law."

"I am conscious that in some of them there have been objections.. we do not ignore that, there are still deficiencies in the elections which we must correct."

But in a reference to the civil disobedience campaign going on in Oaxaca and Chihuahua, he warned that these shortcomings "cannot be a pretext for inciting disorder, intimidating citizens or carrying out acts of violence," and reiterated "my pledge and willingness to perfect our electoral processes."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	24	75	Malta	F	29	84	Rhodes	S	28	82
Algiers	F	27	81	Edinburgh	F	16	61	Manchester	D	14	57	Rio de J'o	C	26	79
Amsterdam	F	15	59	Faro	C	25	77	Manila	R	31	88	Rome	F	26	79
Athens	S	29	84	Florence	S	26	79	Melbourne	C	14	57	Salzburg	C	15	59
Bahrain	S	39	102	Frankfurt	F	14	57	Mexico City	F	24	75	San Francisco	C	12	54
Bangkok	C	34	93	Funchal	C	22	72	Miami	S	28	82	Seoul	S	31	88
Barcelona	C	22	72	Geneva	S	19	66	Milan	S	23	73	Singapore	R	24	75
Beirut	C	31	87	Gibraltar	S	24	75	Montreal	C	15	59	Stockholm	C	14	57
Belfast	S	15	59	Glasgow	F	15	59	Moscow	C	14	57	Strasbourg	S	16	61
Belgrade	F	21	70	Guernsey	F	15	59	Munich	F	15	59	Sydney	S	22	72
Berlin	C	14	57	Helsinki	C	12	54	Nairobi	C	19	66	Taipei	F	33	91
Biarritz	S	21	70	H. Kong	F	33	91	Naples	S	30	86	Tangier	S	29	84
Bombay	F	29	84	Innsbruck	S	18	64	Nassau	F	34	93	Tel Aviv	S	32	90
Bordeaux	S	21	70	Inverness	F	15	59	New Delhi	S	34	93	Tenerife	S	24	75
Brussels	C	14	57	Islamabad	F	37	99	New York	S	18	64	Tokyo	R	30	86
Budapest	F	20	68	Istanbul	S	26	79	Nice	S	24	75	Toronto	F	11	52
B. Aires	F	16	61	Jakarta	F	33	91	Nicosia	F	38	100	Tunis	S	29	84
Cairo	S	35	95	Jersey	S	16	61	Oporto	S	28	82	Valencia	S	26	79
Cape Town	S	19	66	Jo'burg	S	19	66	Oslo	C	15	59	Venice	S	24	75
Caracas	C	28	82	Lima	S	18	64	Paris	S	17	63	Vienna	F	17	63
Casablanca	S	24	75	Lisbon	C	26	79	Peking	R	28	82	Warsaw	F	15	59
Chicago	C	14	57	London	C	14	57	Prague	F	12	54	Washington	C	17	63
Cologne	C	15	59	Los Angeles	C	19	66	Reykjavik	F	9	48	Zurich	F	16	61
Copenhagen	C	13	55	Luxembourg	–	—	—								
Corfu	S	29	84	Madrid	S	25	77								
Dallas	S	19	66	Majorca	S	27	81								
Dublin	S	17	63	Malaga	C	25	77								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Swiss injunction halts computer fraud

Continued from Page 1

They traced the missing securities, applied for an emergency injunction in Switzerland and succeeded in blocking any attempt to encash the bonds.

Pru-Bache's co-operation with the police contrasts with the approach of several City of London institutions which have concealed frauds against them in recent years for fear that the publicity could damage customer confidence in their security system.

Mr Peter Costiglio, a Pru-Bache vice-president in New York, said yesterday he did not believe that the company would suffer any loss of confidence. "The integrity and security of our system has not been compromised," he said. "But we are constantly upgrading it in an attempt to uncover anybody who might breach it."

The risks of the type of fraud almost suffered by Pru-Bache are highlighted in a survey, just completed, of the computer systems of 30 large financial service companies, mostly based in the City of London.

The survey, carried out by the accountancy firm, Deloitte Haskins and Sells, has indentified 55 situations in which the risk of fraud is considered high. The greatest risk lies in the use of passwords to authorise electronic funds transfer, the investigators believe. The most vulnerable companies are those moving into a new line of business with the approaching deregulation of the London Stock Exchange.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday September 2 1986

Norsk Data profits up 51% at midway

BY TERRY POVEY IN LONDON

NORSK DATA, the Norwegian minicomputer manufacturer, has announced a 51 per cent rise in interim pre-tax profits to NKr 168m ($23m) against NKr 111m previously.

Although sales for the six months to June 30 were ahead NKr 316m to NKr 1.1bn, Mr Rolf Sklar, chief executive, said it was not possible for Norsk Data's revenues to continue growing at the 45 per cent compound level each year.

Mr Sklar said that the group, which is challenging the US computer majors in the European market, expects the growth of annual sales to fall to the 25 to 30 per cent range in 1987.

First-half new orders rose 20 per cent above the June 1985 figure to NKr 1.17bn. Of this year's new orders 76 per cent (82.5 per cent at June 1985) were for computer equipment and a rising 24 per cent for mainteinence and software.

Mr Terje Mikalsen, Norsk Data's chairman, said in a statement that sales in Norway were flat but there was still good growth in the group's main European markets – West Germany, France and the UK.

Lower input costs – for example, cheaper chips – have enabled Norsk Data's margins to improve and operating profits rose half as fast again as sales in the six months to June to NKr 139m from NKr 87m.

During the first half of 1986, Norsk Data hired 366 more staff, taking the total employed to 3,311.

Swedish shipping chief ousted in board row

BY SARA WEBB IN STOCKHOLM

THE BOARD of Sweden's Cool Carriers, the world's leading operators of reefers – refrigerated vessels – has fired the managing director after quarrels about the transfer of shares in the company.

When Mr Mats Ruhne, managing director of the Swedish reefer company, turned up for work last Friday, the board told him that he had been sacked.

To drive the point home, two security guards were subsequently posted in front of Cool Carriers' Stockholm office

Mr Torstein Hagen, a Norwegian chief executive of the Bergen Line and luxury cruising Royal Viking Line, has since taken over as managing director.

Mr Ruhne's rapidly engineered departure follows a row between him and the majority shareholders over the transfer of shares in the company.

Mr Jan Stenbeck, who controls the investment company Kinnevik, has control of 22.5 per cent of Cool Carrier's shares, while the two Salen brothers, Christer and Sven, who owned Saleninvest before it went bankrupt in 1984, control another 45 per cent.

Mr Ruhne, who says he will take the matter to court, was formerly managing director of the reefer division at Saleninvest, which was Sweden's biggest shipping company and the world's largest operator of refrigerated cargo vessels.

The company went bankrupt with total liabilities of about SKr 5.5bn ($808m) and Mr Ruhne went on to set up a new company, SRS Reefer, which was later renamed Cool Carriers.

The new company took on Saleninvest's staff and the operating of its reefers and renegotiated most of the outstanding contracts.

Cool Carriers is now the world's largest operator of refrigerated vessels, with an annual turnover of about $200m. Its fleet of 80 reefers transports fruit, vegetables, meat and fish.

NORDISK GENTOFTE MAKES UP FOR LOST TIME IN BATTLE FOR MARKET SHARE

Danish insulin producer plans DKr 180m listing

BY HILARY BARNES IN COPENHAGEN

TWO of the world's largest insulin producers are Danish. Novo is already well known to investors, but it will soon have a rival for their attention when Nordisk Gentofte obtains a listing on the Copenhagen stock exchange with a share issue this month to raise at least DKr 180m ($23.4m).

Nordisk has built up a distinguished record in the development of insulin for the care of diabetics since its foundation in 1923. But it did not keep up with its Danish rival's rapid growth in the 1960s. During the past few years, however, Nordisk has been making up for lost time.

The company's turnover increased from DKr 50m in 1975-76 to DKr 809m in 1985-86 when sales increased 17 per cent. A further 14 per cent increase in sales is expected this year to about DKr 921m.

Insulin accounts for about 78 per cent of Nordisk's sales, of which 91 per cent are exported. Nordisk claims 11-12 per cent of the world insulin market, a share which has increased significantly during the past few years. It has a foothold in the US, but its main markets are in Europe and Australia. It claims 75 per cent of the Danish and Norwegian markets, 26 per cent in Sweden and the UK, 16 per cent in West Germany and 17 per cent in Australia.

Pre-tax profits increased from DKr 57m to DKr 89m last year, with profits after tax rising from DKr 48m to DKr 75m. A private placement of shares in the UK and in Denmark in 1985 helped to boost equity capital from DKr 199m to DKr 372m, with total assets at the end of last year at DKr 1.06bn.

Earnings are expected to increase to about DKr 121m pre-tax in the current year and after three or four years with heavy investment budgets, the company is entering a "harmonious" period in which earnings should improve still further, said managing director Mr Henry Brennum.

He does not expect the company to keep up the same percentage growth rate in sales achieved in the past few years. However, in a world market in which demand for insulin is increasing by up to 4 per cent a year, he thinks that Nordisk's insulin sales will increase 10 per cent a year.

The reason for his confidence is that Nordisk is the only major insulin producer which does not market any products containing bovine insulin (which has more serious side-effects on patients than porcine insulin). Nordisk's rapid growth in recent years owes much to picking up "beef" patients from other producers. It expects this process to continue.

Future growth, however, will be at least as dependent on other products as on insulin, said Mr Brennum. But the size of the market for its new products is uncertain, both because potential demand for the product and competition from other producers is difficult to assess.

Nordisk has two other main product ranges besides insulin (and diabetics care products, such as insulin pumps and insulin injection "pens"): growth hormone and blood plasma products. It believes it has an exciting future in both fields.

Nordisk yesterday received final authorisation from Denmark's environmental authorities to produce human growth hormone by gene technology.

Clinical trials are being carried out on growth hormones produced by gene-technology. Nordisk's product has a molecular chain which is identical to human growth hormone, which, Nordisk believes, puts it ahead of its rivals. It expects to be able to begin marketing the "human" growth hormone in 1987.

Growth hormone, of which Nordisk is already the world's largest exporter, has until now been extracted from the human pituitary gland and is therefore only available in extremely limited quantities.

The hormone is used for treating dwarfism. Potential new markets include short-growth problems, and it is thought it might have the potential to help healing, notably in the case of broken bones and burns. "With unlimited production potential, there may be a gigantic new market," said Mr Brennum.

A similar development is under way in plasma products. Nordisk is an important supplier of Factor VIII, the coagulant used to treat haemophiliacs. Nordisk developed Factor VIII using gene-technology, but has not yet reached the clinical trials stage.

Nordisk Gentofte did not become a private limited company until 1984. Until then it was the production division of Nordisk Insulinlaboratorium, a research foundation which includes the Niels Steensen Hospital, Scandinavia's biggest specialist hospital for diabetics, and the Hagedorn Research Laboratory, where 50 scientists are engaged in full-time research.

The research is one of the reasons why Nordisk has survived when all the world's other independant producers of insulin have fallen by the wayside, according to Mr Brennum. "There is close co-operation between the Hagedorn and us. We are one of the few companies with a basic research institute on the campus," he said.

Other factors in Nordisk's recent success include a decision in 1966 to stop production and marketing of bovine insulin, followed in 1974 by so-called highly-purified procine insulin and subsequently semi-synthetic "human" insulin converted from porcine insulin.

Nordisk is not so far committed to production of human insulin by gene-technology, but is poised to swing that way if the market demands. "In our enthusiasm for new technology, we must be careful that we are not dragged into it against our better judgment," said Mr Brennum.

He said that gene-technology human insulin did not seem to have any advantages in terms of treatment over semi-synthetic human insulin or highly purified porcine insulin, while the production cost advantage of bio-tech production was not significant either.

Eli Lilly in the US went over to gene-technological production of insulin a few years ago,

Cofide unveils L9.2bn earnings at year-end

BY ALAN FRIEDMAN IN MILAN

COFIDE, the ultimate holding company of Mr Carlo De Benedetti's expanding Italian and French industrial-financial empire, yesterday unveiled its first results, a L9.2bn ($6.5m) net profit in the 12 months to last June 30.

Cofide was formed last year as the ultimate vehicle for controlling Mr De Benedetti's interests including his 15.7 per cent stake in Olivetti (which he chairs), the Buitoni pasta and chocolates group, the Davigel frozen fish distributor in France, his management control of French car components group Valeo and many other interests in Italian publishing, insurance and manufacturing.

In November Mr De Benedetti sold 25 per cent of Cofide on the Milan bourse, raising L58.1bn and placing an initial stockmarket value of L232bn on the company.

At present share prices on the Milan bourse Cofide's total market capitalisation is more than treble its original level at L836bn.

Mr De Benedetti announced yesterday the appointment of Mr Antonio Corti as Cofide director-general. Mr Corti was poached from an executive position within Ifil, one of the Agnelli family's holding companies

Cofide's total assets, following a L380bn fund raising equity issue, will total L861bn.

VW prices share issue

VOLKSWAGEN (VW), the West German motor vehicles group, has set a price of DM 350 per nominal DM 50 share on its issue of DM 300m ($147.7m) worth of non-voting preference shares, writes Our Financial Staff.

The dividend on the preference shares will be backdated to January 1 this year. Shareholders have been offered one new share for every four they already hold, a total of 3.6m. The subscription period runs from September 19 to October 3.

VW shares closed trading on the Frankfurt stock exchange at DM 527, up DM 14.20 from Friday's close.

If fully subscribed at the issuing price, the new preferred shares will raise a record DM 2.1bn – nearly double the previous record

ÅSV in merger with Norsk Hydro unit

BY FAY GJESTER IN OSLO

THE MERGER of ÅSV, Norway's largest aluminium producer, with the aluminium division of Norsk Hydro, took effect yesterday after an agreement earlier this year between the two groups, and approved by the Storting (parliament) in the summer.

The board, meeting yesterday for the first time, appointed Mr Dag Flaa, 50, as managing director. Mr Flaa, who has headed Hydro's aluminium division since 1977, will take over on October 1, replacing ÅSV's president, Mr Haakon Sandvold who is retiring.

The unit created by the merger – a subsidy of Norsk Hydro – will be Norway's third largest industrial company, with a labour force of 13,000 in Norway and abroad, and annual turnover of about NKr 11bn ($1.5bn).

The new unit will also be one of the largest aluminium groups in Europe. Its metals smelting capacity – 550,000 tonnes annually – will rise to 600,000 tonnes a year from autumn 1987, when expansion of a smelter at Karmøy, western Norway, has been completed.

Its total fabricating capacity is 300,000 tonnes a year, including the five extrusion plants in Europe just acquired from Alcan

The merger involved the acquisition by Norsk Hydro of an initial 70 per cent stake in ÅSV.

Wartsila buys robot makers

By Olli Virtanen in Helsinki

WARTSILA, the Finnish metal and engineering group, has bought two robot manufacturing companies in a move to reduce reliance on its declining shipbuilding activities. The acquisitions, GCA Industrial Systems Group of Minneapolis in the US and Rosenlew Automation of Finland, specialise in production automation, particularly in extended-reach, gantry-mounted robot systems.

Wartsila paid $12.3m for GCA, which had an annual turnover of $40m in 1985. The price for Rosenlew has not been disclosed but it is estimated to be close to $10m.

GCA is the US market leader in its field with a 50 per cent share.

INTERNATIONAL COMPANIES and FINANCE

Nissan predicts first loss in 30 years

BY CARLA RAPOPORT IN TOKYO

NISSAN, Japan's second largest motor manufacturer, may show an operating loss in the current fiscal year because of the harsh effects of the high yen.

The loss would be Nissan's first in more than 30 years, further underlining the extraordinary conditions created by the stronger yen. The company yesterday refused to either to confirm or deny prospects of a loss this year, but it is understood that senior executives expect the company to break even or show a small operating loss for the year to March 1987, provided the yen remains at its current high level.

The main reason for the plunge in profits is Nissan's reluctance to put up prices in line with the yen's appreciation. According to Nissan executives yesterday, the company has raised prices by a total of 11 per cent in America while the yen has appreciated by 50 per cent against the dollar. This same strategy is being used by most Japanese exporters, who are unwilling to sacrifice market share overseas.

Despite the expected break-even or operating loss, Japanese analysts expect Nissan to show a profit at the pre-tax and net income level due to earnings from non-operating items.

Further, Nissan executives yesterday said that the company may be able to show a small operating profit if their efforts to cut costs are successful. The company expects greater savings on direct and indirect imports, such as plastics and paint. These savings benefits have yet to be fully realised.

Nissan's parent company sales last year were Y3,754bn, with pre-tax income at Y108bn and net income of Y65bn ($421m). Analysts in Tokyo are looking for a loss or break-even position at the operating level, pre-tax profits of about Y30bn and net income of Y20bn.

● Japanese companies will suffer a pre-tax earnings drop of 14.6 per cent in fiscal 1986 ending next March due in part to the yen's upswing according to the Wako economic research institute, reports AP-DJ in Tokyo.

The survey of 425 companies listed on the Tokyo stock exchange showed that sales will fall 8.3 per cent from the previous fiscal year. Banks and insurance and gas companies were excluded from the survey.

The predictions reflected the view that Japanese companies will suffer more seriously than expected from the Yen's appreciation.

Pegi sees recovery of Dunlop costs

BY WONG SULONG IN KUALA LUMPUR

PEGI, the investment company controlled by Mr Ghafar Baba, the Malaysian deputy Prime Minister, is on its way to recovering the heavy cost of its investment in Dunlop Holdings, thanks to the ultimate takeover of Dunlop by BTR, the British industrial conglomerate.

As a result of BTR's takeover offer for Dunlop in March last year, Pegi exchanged its 26.1 per cent stake in Dunlop for 3.57m BTR shares.

This stake has since increased to 10.71m shares because of two subsequent bonus issues, and is worth more than Pegi's original investment of 110m ringgit ($42m) in Dunlop, due to the strong appreciation of sterling against the Malaysian ringgit during the past 18 months, and the rise in the value of BTR shares.

Pegi announced over the weekend that it had sold 3.54m BTR shares on the market for 45m ringgit, or at an average price of 12.72 ringgit per share, and added it would be selling the remaining shares gradually.

Assuming the rest of the BTR shares are sold at the same price, Pegi would receive a total of 136m ringgit.

Before the BTR takeover of Dunlop, Pegi's stake in Dunlop was valued at less than 30m ringgit.

Pegi said it would use the cash from the shares sale to reduce its heavy borrowing, and for new investments within Malaysia.

The Malaysian company's involvement in Dunlop was a long and tortuous affair, which looked like ending in a major financial disaster until BTR came into the picture.

Pegi started buying heavily into Dunlop in 1979, increasing its stake to 26.1 per cent by 1984. Its buying coincided with a period of sharp losses by Dunlop from its tyre manufacturing operations.

Pegi's motive for buying into Dunlop was never clear. Originally, the Dunlop board thought Pegi was going after its Malaysian plantation and manufacturing assets, held respectively by Dunlop Estates and Dunlop Malaysian Industries (DMI).

To pre-empt such a move, the plantations were sold off to Multi-Purpose Holdings, the Malaysian Chinese investment group in 1982. This created a political uproar in Malaysia, and added strain to the already difficult Anglo-Malaysian ties.

Several deals were made between Dunlop and Pegi on the sale of DMI to the latter, but none was successfully concluded. Finally, DMI was sold to Sime Darby in 1984.

By then, Pegi was left with a heavy investment in Dunlop, which was saddled with massive losses from its tyre operations. Pegi was glad that BTR came onto the scene, with an offer sufficiently generous for it to unload its stake.

Mr Ghafar, a veteran Malay politician, rejoined the Malaysian Government after a 10-year absence when he was made deputy Prime Minister last May. Pegi is now managed by his son, Mohamed Asri.

Apart from its BTR shares, the company has a mixed bag of investments in plantations, engineering and marine related services.

Pegi shares are now traded at 75 cents, below its one ringgit par value, but above its low of 38 cents early in the year.

Boral achieves 37% growth in earnings

By Robert Kennedy in Sydney

BORAL the Australian building materials company has matched its interim profit growth in its second half, by posting a 37.2 per cent profit increase to a record A$161.36m (US$98.5m) for the year to June 30.

A similar bouyant performance and a full year inclusion from Johns Perry, the recently acquired engineer and cordage group, should put Boral on the path to top annual earnings of A$200m in the current year.

The latetst result represents its sixteenth year of profit growth and the accompanying one-for-four bonus issue is the seventh in nine years.

The Johns Perry acquisition has already paid off. Its five-month inclusion is estimated to have added about A$6m to Boral's 1985-86 profit.

Even without the Johns Perry addition, Boral's profit would have increased by about 28 per cent in the six months to June.

Annual dividend has been increased from 15 cents to 16.5 cents a share by way of a final payout of 9 cents against 7.5 cents last year.

The latest profit excludes an extraordinary deficit of A$86.12m which related mainly to the write-off of goodwill from purchases of A$98m. Of the total goodwill write-offs, A$60m related to the acquisition of Johns Perry.

Sales totalled A$1.97bn which was 24 per cent ahead of 1984-1985.

Showa agrees debt rescheduling

BY YOKO SHIBATA IN TOKYO

SHOWA LINE, the financially troubled Japanese shipping group, has reached agreement with Fuji Bank and two other creditor institutions on a rescheduling of Y20bn ($129m) in liabilties which fall due in the next 18 months. The agreement covers some Y15bn in loans to Showa Line itself and Y5bn in loans to its affiliate companies, but does not include interest payments.

Showa, which is Japan's sixth largest shipping group, reported a pre-tax loss of Y1.9bn on sales of Y145bn in the fiscal year to March 1986. It attributed the loss to stiff freight rate cutting on the Pacific liner service to North America, and a fall in yen revenues resulting from the steep rise in the yen.

Freight rates on the trans-Pacific route—long the mainstay of the Japanese shipping industry—have fallen by 40-50 per cent in the past year. Dollar-denominated income makes up 70-80 per cent of the total.

Showa has sold assets worth about Y7bn, but it expects income to suffer further this year, partly from the yen's continued strength against the dollar and partly from the decline in Japanese exports—an indirect result of the same factor. Shipments of cars and electrical appliances across the Pacific are expected to be hit especially hard.

During the current year, the company has forecast a pre-tax loss of Y5bn, with a reduction in sales to Y120bn. This will bring cumulative losses to Y4bn from Y2bn at the end of the last financial year.

Debt to Fuji Bank, Long-Term Credit Bank of Japan and Development Bank of Japan amounted to about Y98.5bn at the end of March. In return for the banks' continued financial support, Showa Line has agreed to draw up a rationalisation plan that will include a 30 per cent reduction in its workforce—a reduction of about 400 jobs. It will also attempt to sell several loss-making vessels.

Trans-Natal shows higher sales

BY JIM JONES IN JOHANNESBURG

TRANS-NATAL Coal Corporation increased sales by a tenth in the year to June 30, but is concerned about the effect trade sanctions could have on this year's figure.

The company sold 31.57m tons of coal in the year just ended against a previous 28.66m tons. Turnover figures have not been disposed. However trading profit before tax, finance charges and amortisation increased to R336.7m from R185.7m and pre-tax profit was R272m ($106m) against R148.9m.

Mr Steve Ellis, chairman, said higher dollar-denominated export prices lifted export earnings in the first half of the financial year. However export prices had fallen since the start of 1986 because of over-supply in the wake of the oil glut, and price cutting by South African exporters attempting to avert market losses in Europe due to sanctions.

Last year Trans-Natal exported about 21 per cent of total production at prices several times those available domestically. Mr Ellis expected about 25 per cent of the company's production in the current financial year to be absorbed despite the possibility of sanctions.

But he warned of aggressive price cutting by South African coal exporters if other countries followed Denmark and France in reducing their South African purchases.

Distributable earnings rose to 161 cents a share from 96 cents and the total dividend has been raised to 90 cents from 65 cents. Trans-Natal is controlled by Gencor, South Africa's second largest mining house.

Japan approves securities licence for NatWest unit

BY IAN RODGER IN TOKYO

COUNTY SECURITIES Japan, an affiliate of National Westminster Bank, has obtained a securities licence in Japan making NatWest the first British group, and only the third from any country, to have both banking and securities licences in the country.

The granting of the licence by the Ministry of Finance (MoF) is widely seen as a quid pro quo for the issuing of a UK banking licence by the Bank of England to Japan's Nomura Securities.

NatWest, like other leading international banks, is attempting to provide a complete range of banking and investment services throughout the world. In Japan, it has been hampered by laws prohibiting a single company from carrying out both banking and securities businesses.

Last year, West Germany's Deutsche Bank, helped by lobbying from the Bundesbank, managed to win approval to set up a 50 per cent owned securities subsidiary. Since then, several banks have been scrambling to establish similar affiliates. Swiss Banking Corporation is the only other to have received a licence so far.

NatWest's approved structure has County Securities Japan owned by County Securities Asia, a Hong Kong company which is owned 50 per cent by NatWest, 25 per cent by British Petroleum and 25 per cent by John Swire and Sons.

Mr Tim Ferguson, managing director of County Securities Japan, said the company would begin trading this autumn. Its initial emphasis would be on Japanese equity trading and research, underwriting debt issues and bond trading.

The other three major British clearing banks are all at various stages of negotiation with the MoF for securities licences in Japan—Midland Bank through its Samuel Montagu subsidiary and Lloyds and Barclays through their merchant bank subsidiaries. All are expected to have their licences within a year.

Mr Ferguson said County's negotiations with the MoF began two years ago.

Barings, the UK merchant bank, yesterday opened its Tokyo securities branch having obtained a licence two months ago. The operation is conducted through Baring Securities, adds David Lascelles.

Unlike NatWest, Barings does not have a banking branch in Japan, so the same constraints do not apply. Other UK merchant banks who have entered the Japanese market in recent months solely as securities dealers include Schroders, Kleinwort Benson and S. G. Warburg.

The Bank of England would not comment on speculation that an announcement on the granting of a banking licence to Nomura is imminent. The Bank has always denied that licences would be granted as a matter of reciprocity. The Bank's next routine announcement on banking licences is not due until September 25.

Steep growth in Japanese trusts

BY YOKO SHIBATA IN TOKYO

JAPAN's investment trust business is enjoying an unprecedented boom, thanks to the country's record low interest rates. Cash rich individuals are turning increasingly to investment trusts to obtain yields higher than they can get from deposits at banks and other traditional savings institutions.

The outstanding balance of investment trusts in Japan grew by nearly 20 per cent in the six months to July, reaching a total of Y25,625bn ($166.3bn).

Other high yielding financial instruments, such as lump-sum endowment insurance, money trusts, short-term government bond funds, stock investment trusts and spot funds, have also gained in popularity.

The investment fund boom has been helped by the Ministry of Finance, which, in its desperation to promote an outflow of funds, has relaxed its restrictions on the proportion of a trust's funds that can be invested overseas. It also removed the ceiling on the amount of capital that can be invested in any one trust.

Fund managers have lost no time in taking advantage of their new freedom. In an attempt to improve their performance in comparison with foreign-managed funds, managers have been increasing the weighting of foreign securities in their funds.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on September 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	105	105½	+1¼	+2⅛	9.22
Atlan. Richfield 10⅞ 00	250	110¼	110⅝	+0⅝	+1½	8.89
Australia Com. 11 95	200	†117¼	117⅝	+0½	+0⅝	8.10
Australia Com. 11¼ 00	100	115⅝	116⅛	+0¼	−0⅛	9.13
BP Capital 9⅛ 94	100	104¼	105⅛	+0¼	+0⅛	8.29
BP Capital 11¼ 92	150	110⅛	110⅝	0	+0⅜	8.59
Campbell Soup 10½ 95	100	114⅛	114⅝	+0⅜	+1¼	8.16
Canada 9 96	1000	108¼	109¼	+0⅛	+0⅛	7.42
Canada 11½ 90	500	113¾	114¼	+0⅛	+0½	6.75
Canadian Pac. 10¾ 93	100	110⅝	111¼	+0¼	+0¼	8.56
CEPME 10⅛ 91	100	109¾	110¼	+0¼	+0⅜	7.69
Credit Lyonnais 9 91	200	106⅛	106⅝	+0⅜	+0¼	7.26
Credit National 9⅝ 95	150	107⅛	107½	+0⅝	+1⅛	7.85
Denmark Kingdom 7¾ 93	250	100⅛	100⅝	+0¼	+0⅜	7.66
Denmark Kingdom 8¼ 91	300	103½	104	+0½	+0⅜	7.30
Denmark Kngdm. 11½ 92	100	117¼	117⅝	+0½	+0⅜	7.55
Deutsche Bank Fin. 8 98	110	98⅝	99¼	+0⅝	+0¼	8.35
EDC 8½ 92	100	104½	105	+0¼	+0½	7.41
EEC 8¼ 96	100	104¼	104⅝	+0⅜	+0⅜	7.58
EEC 8⅝ 91	150	105¾	106¼	+0⅛	+0⅛	7.00
EEC 9⅝ 90	350	107⅛	107⅝	+0⅛	+0⅜	7.37
EIB 10¼ 94	200	111⅞	112⅜	+0¼	+0⅜	8.16
EIB 12 95	100	126¼	126¾	+0⅛	+1	7.68
Eurofima 7¾ 91	100	101⅞	102¼	+0¼	+0⅛	7.22
Export Dev. Cpn. 10 90	100	110⅛	110⅝	+0⅜	+0½	6.72
Finland 7½ 93	200	99⅝	100⅛	+0⅜	+0¼	7.52
Ford Motor Cred. 10½ 91	150	110⅛	110⅝	+0¼	+0⅛	7.92
Ford Motor Cred. 11⅞ 90	100	112⅛	112⅝	+0½	+0⅜	7.18
Gen. Elec. Cred. 10⅞ 00	200	107¼	108⅛	+0⅝	+0½	9.19
GMAC 10⅛ 89	200	108⅛	108⅝	+0½	+0⅜	6.70
GMAC 8½ 93	200	103⅝	104⅛	+0⅜	+0¼	7.74
IADB 9⅞ 95	200	112⅛	112⅝	+0⅜	+1	7.90
Liberty Mutual 8½ 96	150	103	103½	+0¼	+0⅛	8.00
LTCB of Japan 8 91	100	102¼	103¼	+0⅝	+1⅜	7.25
Merrill Lynch 8⅞ 91	100	†105¼	105¼	0	+0¼	7.55
Mercds.-Benz Cred. 7½ 93	100	99½	100	+0⅛	+0⅜	7.55
New Zealand 8⅛ 93	150	101¾	102⅛	+0½	+0¼	7.83
Pepsico Inc. 7⅝ 93	200	98½	99	+0⅜	+0½	7.61
Proct. & Gamb. 'A' 9⅞ 92	150	107¼	108¼	+0⅜	+0½	8.18
Pru Realty Secs. 12⅛ 95	546	118⅝	118⅞	+0⅜	+⅛	8.86
Qantas Airways 10⅝ 95	140	†113½	114	+0⅜	+1¼	8.13
Queensland Govt. 10¾ 95	100	†109¾	110¼	−0⅛	−1	9.54
Ralston Purina 11¾ 95	150	†115⅛	115⅝	+0⅜	+0⅛	9.09
Saab Scania 9½ 91	125	106½	107	+0¼	+0⅜	7.64
Saskatchewan 10⅞ 92	100	113⅜	113⅞	0	+0¼	7.40
Scandinavia Air. 10⅛ 95	150	111⅞	112⅜	+0⅛	+0⅜	+0¼
State Bk. S. Aust. 9¼ 93	100	†103⅝	104⅛	+0⅜	+0⅛	8.30
Statoil 10 90	170	108¾	109¼	+0¼	+0⅛	7.15
S. Wales Trsy. 11⅛ 90	150	112⅝	113⅛	−0⅛	+0½	7.57
Swed. Exp. Cred. 10 92	100	111½	112	+0½	+0½	7.40
Sweden 8⅞ 96	200	106	106½	+0⅛	+0¼	7.79
Sweden 10¼ 92	250	113¾	114¼	+0½	+0¼	7.35
Sweden Kingdom 10⅞ 90	200	113	113½	+0⅜	+0⅜	6.73
Sweden 11¼ 94	100	118⅛	118⅝	+0¼	+0½	8.51
Toyota Motor Cred. 8 89	100	103	103½	+0¼	+1	6.68
Victorian Rep. 11⅛ 92	150	115	115½	+0¼	−0⅛	8.14
World Bank 8½ 16	150	†96¼	97¼	+0⅛	+0⅛	8.78
World Bank 9¼ 16	300	103	103½	+0⅛	−0¼	8.93
World Bank 9⅜ 16	300	107⅛	107⅝	0	0	9.01
World Bank 10⅛ 95	300	116⅛	116⅝	+0⅛	+0⅞	7.53
Yasuda Trust Fin. 8½ 93	100	†103½	103⅝	+0⅛	+1½	7.85

Average price changes on day +0¼ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	109¾	110¼	−0⅛	−0¼	6.37
Austrian Elec. Co. 6½ 95	150	101⅜	101⅞	0	−0¼	6.26
BMW 5¾ 96	200	95¼	95¾	0	0	6.16
Daimler Benz Int 5⅞ 01	500	95⅜	95⅞	0	−0⅛	6.21
Dow Chemical 5⅝ 96	300	94¼	95¼	−0⅛	−0⅛	6.33
Dow Chemical 6¾ 95	300	104⅝	105⅛	−0¼	−0⅛	6.08
EIB 5½ 98	150	96¼	96⅝	0	−0⅛	5.94
EIB 6⅞ 95	300	105⅝	106⅛	−0⅛	0	6.02
EIB 7¼ 94	300	105¾	106¼	0	−0⅛	6.29
Emhart Corpn. 6¾ 95	175	102½	103	−0⅛	−0⅛	6.34
Eurofima 6¾ 96	100	101½	102	+0⅛	+0¼	6.80
Ex.-Im. Bk. Korea 7½ 90	100	105½	106	+0⅜	+0⅛	5.90
Finland Republic 7 92	200	104⅝	104⅞	−0⅛	+0⅛	5.96
Hoesch Intl. Fin. 7 95	100	106½	107	−0⅛	+1⅛	6.02
Hydro Quebec 5½ 96	125	95¼	95¾	0	+0⅛	6.15
Hydro Quebec 6 16	150	95⅛	95⅝	0	+0¼	6.35
IBJ 5⅞ 96	200	96¼	96¾	0	0	6.11
Ireland 8⅛ 92	150	107⅞	108⅛	−0¼	−0⅛	6.37
I/S Elsam 6⅝ 93	125	100½	101	−0⅛	+0¼	6.61
Korea Dev. Bank 6⅛ 93	100	98⅛	98⅝	0	+0⅜	6.80
Mitsubishi M. 3¼ 89 WW	100	109	109½	−0⅛	+2⅜	0.31
Mitsubishi M. 3⅞ 89 XW	100	93¼	93¾	−0⅛	−0⅛	5.32
Renfe 7¾ 95	100	106¾	107¼	−0⅛	0	6.66
Soc. Cent. Nuclear 7¼ 95	150	102⅞	102⅞	−0¼	−1	6.94
Soc. Cent. Nuclear 8 91	100	105⅝	106⅛	−0¼	−0⅛	6.48
Staweag 5½ 96	100	93½	94	0	−0⅛	6.38
World Bank 7 95	600	106¼	106¾	0	+0⅛	6.05
Yorkshire Intl. 6¼ 01	200	96¾	97¼	−0⅛	+0⅛	6.57

Average price changes on day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Apon Cap. Corpn. 5⅞ 94	130	†102⅞	103¼	+0⅞	−0⅛	4.92
Brit. Land Comp. 6½ 99	75	†106	106½	+0⅛	+1¼	5.81
Chrysler 5¾ 96	160	†102⅞	103¼	+0⅜	−0⅜	5.35
Council of Europe 6 92	120	†106	106½	+0⅝	+1¼	4.82
Creditanstalt 5½ 94	100	†103⅝	104⅛	+0⅝	+1½	4.90
Deutsche Bk. Fin. 5⅞ 95	100	†107	107½	0	+0⅜	4.32
Gen. Occidentale 4½ 94	80	†122⅞	123	−0⅞	+4⅜	1.55
Glendale F. S. & L. 5½ 95	100	†102	102½	+1¼	+0⅜	5.18
Humana 5⅛ 98	120	*†98⅞	98½	0	−0⅛	5.28
Ind. Fund Fin. 5¾ 94	40	†103½	103⅝	0	+0⅛	5.27
N. Zealand Steel 5¾ 96	70	†100½	101	−1¼	−0⅜	5.65
Oberos. Ktwk. 5⅞ 95	100	†102½	103	+0⅛	+0⅜	4.96
Olivetti Intl. 5⅞ 95	100	†105	105½	+0⅜	+0⅜	4.76
Pepsico 5¼ 95	130	†105½	106	+0⅜	+2¼	4.42
Phibro-Salomon 5⅛ 97	110	*†102⅞	102⅞	0	+0½	4.87
Ralston Purina 5⅞ 94	125	†103¼	103¾	+0⅛	+0⅜	4.84
Settsu Euro. 0 01	100	*†46⅞	46⅞	0	+0⅛	5.36
Tokyo Elec. Power 5½ 93	120	†105½	106	+0⅜	+0⅛	4.44
Tokyo Metropolis 5⅛ 94	80	†104¼	105¼	+0⅝	+1⅜	4.51
World Bank 5¾ 94	150	*†104⅞	104⅞	0	+0½	5.09

Average price changes on day +0¼ on week +0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	100⅛	100⅝	+0¼	+0¼	5.77
Denmark 6⅞ 96	10	103¼	103¾	−0¼	−0¼	5.88
Dow Chemical 6⅛ 01	25	98⅛	98⅝	+0⅛	−0⅛	6.53
EIB 6⅛ 96	25	102½	102⅞	−0⅛	−0⅛	5.75
Province de Quebec 6 98	20	†99¼	99¾	0	−0¼	6.06

Average price changes on day 0 on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	†54⅛	54⅝	+0⅛	+0¼	14.07
Bremer Ldsbk. 12¾ 91 A$	30	†98	99	+0⅛	+0¼	13.15
Fiat Finance 14½ 89 A$	50	†100¼	101¼	+0⅜	+0⅜	13.74
GMAC 12⅞ 89 A$	40	†98	99	+0⅜	+0¼	13.49
Landsbk. Rhein. 13 89 A$	30	†97	98	−1	+0½	14.11
Canadian Pac. 10⅛ 90 C$	75	†102½	103	+1⅛	−0⅛	9.52
Chrysler Corpn. 10 91 C$	75	†98⅞	99⅜	+4¼	−0½	9.47
Genstar Fin. 11⅞ 95 C$	75	†107⅛	107⅝	+0⅛	−0⅜	10.42
GMAC 9¼ 92 C$	75	†99⅞	100⅜	+3⅜	−0¼	9.20
Royal Trustco 10⅛ 90 C$	75	†101⅞	102⅜	+1½	−0⅛	9.71
Sears Acc. 10⅝ 92 C$	75	†103⅝	103⅞	+0⅜	−0⅜	9.80
Coca-Cola F. C. 17 90 NZ$	75	*†102½	102½	0	+0¼	16.10
Denmark 17½ 89 NZ$	50	*†101¼	101¼	0	+1	16.67
Unilever Cap. 17½ 89 NZ$	50	*†102½	102½	0	0	16.36
Copenhagen City 9 95 Ecu	40	*†105¼	105¼	0	−0¼	8.16
EIB 8¾ 93 Ecu	100	*†108	108	0	0	7.09
Walt Disney 8⅞ 91 Ecu	62	*†105⅞	105⅞	0	−0⅜	7.47
Honda Mtr. WW 3⅞ 90 Fl	100	†107⅛	108¼	−2⅜	+1	1.54
Honda Mtr. XW 3⅞ 90 Fl	100	†92½	93	−0⅛	−0¼	6.21
Thyssen 7¼ 90 Fl	50	†104	104½	−0⅛	0	6.02
Wereldhave 7½ 90 Fl	75	†104¼	104¾	+0¼	+0¼	6.17
Wessanen 6¾ 90 Fl	50	†103¼	103¾	+0⅛	+0¼	5.76
Amev 11 93 £	50	*†105	105	0	+0⅜	9.88
Australia Com. 11 92 £	40	†103⅛	103⅝	+0½	+0⅜	10.15
GMAC UK Fin. 10½ 90 £	30	†103⅝	104⅛	+0⅜	+0⅜	9.15
Imp. Chem. Inds. 10 05 £	100	†98	98½	+0½	+0⅜	10.21
Imp. Chem. Inds. 10¾ 92 £	75	†101½	102	+0½	+0⅜	10.34
Invst. in Inds. Int. 10 93 £	60	†98¼	98¾	+0½	+0⅜	10.30
Leeds Bldg. Soc. 10½ 91 £	50	101⅞	102⅛	+0¼	+0⅜	9.97
McDonalds 10⅞ 90 £	40	†103¼	103¾	+0½	+0⅜	9.65
Nationwide BS 10⅛ 93 £	75	†99¼	99¾	+0¼	+0⅜	10.21
NSW Treasury 10⅝ 92 £	50	101⅞	102⅜	−0⅛	0	10.10
Royal Insce. 10¾ 92 £	60	†101⅞	102¼	−0⅛	+0⅜	10.28
J. Sainsbury 10⅞ 93 £	60	†102¼	102¾	+0½	+0⅜	10.29
Trusthouse Forte 11⅛ 90 £	50	†102⅞	103¼	+0½	+0½	10.04
World Bank 11¼ 95 £	100	†110⅛	110⅝	+0½	+0⅜	9.41
CoE 8⅞ 95 LFr	600	*†105¼	105¼	0	−0¼	7.96
EIB 8⅝ 93 LFr	1000	*†107	107	0	+0¼	7.21

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. £ 94	0.08	†100.73	100.85	10/10	10.06
Bank of Montreal 98	0.05	100.75	100.86	23/01	5¾
Barclays Bank Perp. 1	0¼§	†101.27	101.37	2/01	7.06
Barclays Bank Perp. 2	0¼§	†100.76	100.86	14/08	6¾
Belgium, Kingdom of 91	0	100.65	100.75	19/08	8.06
BNP 5¼ 95	0.05	*†102.45	102.45	12/01	6.08
Britannia 5 93 £	0⅛	†100.27	100.37	8/10	10.19
CCF 5¼ 97	0	†99.92	100.02	14/05	6.94
Citicorp 98	0¼	†99.90	100.00	29/08	7.19
Credit Lyonnais 5 00	0⅛‡	100.46	100.56	12/01	6.81
EEC 3 92 DM	0	100.29	100.39	20/08	4.44
EEC 5¼ 93 Ecu	0.0312	†99.90	100.00	30/07	7.66
Halifax Bldg. Soc. £ 94	0.1	†100.93	100.98	6/08	10.54
Lloyds Bank Perp.	0¼	†101.12	101.22	9/12	7½
Midland Bank 01 £	0.1	100.25	100.34	7/08	10.06
Milk Mrktg. Board 5 93 £	0⅛	100.93	101.00	26/09	9.94
NatWest Perp. A	0¼§	101.08	101.17	9/01	6.94
NatWest Perp. B	0¼§	†100.53	100.58	9/08	6¾
New Zealand 5 97 £	0.07	†100.94	101.04	14/08	10¼
New Zealand 5 01	0	100.46	100.56	4/08	8.13
Prudential Corpn. 4 95 £	0.1	†100.64	100.74	5/09	9.85
Royal Bk. Scotland 5 Prp.	0⅛	100.91	101.00	11/12	7¼
United Kingdom 5 92	0	100.27	100.37	7/10	7.19
Woodside Financial 5¼ 97	0	100.15	100.25	29/07	6.81
Woolwich 5 95 £	0⅛	†100.30	100.80	19/08	10½

Average price changes on day +0.06 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	†274½	276½	+0½	9.61
Fanuc 3¾ 98	1/84	7092	†226	227	+0⅜	60.41
Fuji Heavy Industries 3 00	8/85	676	†127½	128½	−1½	−3.74
Fujitsu 3 99	5/84	1920	122¾	123¾	−0½	12.14
Marui 3½ 99	7/84	1162	†356	357	+1	0.19
Minolta Camera 2¼ 94 DM	2/86	1185	102	103	−0¼	52.26
Mitsubishi Bank 2⅞ 00	8/85	1768	159¼	160½	+0¼	3.40
Mitsubishi Elec. 2⅞ 00	3/85	422	188½	190	−0⅞	−0.95
Mitsui Bank 2⅝ 01	4/86	101.9	†138½	140	+0⅞	−10.18
Murata 3½ 00	7/84	2990	156¼	157¼	−5⅜	11.44
Nippon Elec. 2⅞ 00	1/85	1295	†226	227	+0½	149.87
Nippon Oil Co. 3 00	5/85	923	190½	192	+3¾	3.66
OKI Elec. Ind. 3½ 99	10/84	805	156⅜	157⅜	−4¼	−4.90
Sanwa Bank 2¼ 00	10/85	1486	†153½	154½	+1⅛	0.53
Sekisui House 3 99	6/84	632	†397	398	+8	4.53
Sumitomo Bank 2⅞ 00	8/85	2142	186¼	187½	+4⅛	13.41
Sumitomo Corpn. 2⅞ 99	5/84	593	323½	324½	+9½	20.31
Taiyo Yuden 3¼ 00	3/85	1078	†145	146	+10	−7.53
Toshiba Ceramics 3 00	4/85	1734	116⅛	117⅛	−2⅞	−4.86
Nippon Oil Co. 2⅛ 92 SFr	3/84	1052	*†135½	135½	0	21.08
Nippon Shinpan 2 92 SFr	3/84	881	*†219¼	219½	0	12.51
Asics 5 92 DM	12/83	520	141	142	+3½	6.57

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Nikkei index futures start trading on Simex

By Peter Montagnon, Euromarkets Correspondent

THE Singapore International Monetary Exchange (Simex) tomorrow becomes the first futures exchange to offer trading in Japanese stock index futures.

Its new contract in the Nikkei Stock Average will be launched under a sub-licensing agreement with the Chicago Mercantile Exchange, opening a new opportunity for portfolio managers to take out positions on the Tokyo Stock Exchange or to hedge existing positions.

Interest in the new contract has been intense, not only because of the growing international demand for Japanese equities, but also because the future contract involves lower transactions costs than using the underlying cash market.

The Tokyo Stock Exchange is now the second largest equity market in the world, but until now it has been untouched by the fashion for trading index futures. The Nikkei Stock Average, which forms the basis of the contract, is a composite of 225 securities. The contract value will be Y500 times the value of the index, lowered from an originally planned multiple of Y1,000 and minimum price fluctuation will be Y2,500.

Mr Ng Kok Song, chairman of Simex, said he hopes to attract a substantial amount of business with the new contract, while Baring Securities said it is purchasing a seat on Simex primarily because the Nikkei contract is being launched.

Although bankers expect a flurry of activity as trading opens, they said the degree of follow-through remains uncertain because the Singapore time-zone is inconvenient to traders in Europe and the US.

The Chicago Mercantile Exchange (CME), which owns the right to trade Nikkei Stock Average futures, delayed the launch in the US partly because of regulatory problems surrounding trading in foreign stock index futures.

However, a spokesman said the CME has now applied to the Commodity Futures Trading Commission for approval to trade a Nikkei Stock Average contract in Chicago. This contract is expected to trade on the mutual offset system with the Singapore exchange which means it will be possible for positions opened in Singapore to be closed in Chicago and vice versa.

Czechoslovakia to guarantee Turkish loan

By Our Euromarkets Correspondent

CZECHOSLOVAKIA is to guarantee a $115m credit being raised in the Euromarkets by Turkey's state-owned electricity authority to finance the construction of two coal-fired power stations.

The guarantee will help Turkey finance the power stations, being built by Czechoslovakia's Skodaexport, without using up its own scope for borrowing in the international capital market.

Led byl First Chicago, the seven-year deal carries a net margin to lending banks of ⅛ per cent over London interbank offered rates (Libor), but the actual cost to Turkey will be higher as it is paying a fee to the Czech foreign trade bank for its guarantee service.

The operation of the guarantee is similar to those extended by export credit agencies in Western industrial countries, but bankers said it marks a new departure for Czechoslovakia which has not previously taken this route.

Its decision to extend the guarantee reflects the fact that its own borrowing requirements from international capital markets are now rather small, while those of Turkey have been growing substantially this year.

Euromarkets offering for Noverco

By Our Euromarkets Staff

CREDIT SUISSE First Boston said yesterday that it expected to launch today a C$15m secondary offering of 1.2m shares in the Euromarkets for Noverco. Noverco, which was known as Gaz Metropolitan until wto months ago, is the fourth largest gas distributor in Canada.

Noverco will also issue 6.6m shares in Canada through brokers Levesque Beaubien. Together the issues will amount to 18 per cent of the company's existing ordinary share capital. Noverco will use the proceeds partly to finance the acquisition of a Canadian gas producer.

Pricing of the issue should take place in the third week of September.

Halifax FRN meets good response

BY CLARE PEARSON

HALIFAX, the UK building society, borrowed £300m of floating-rate funds in the Eurobond market yesterday. The issue came in the wake of a record £500m floating-rate note (FRN) for Abbey National last week and other building societies are expected to make similar issues soon. Nevertheless, Halifax's unusual issuing structure ensured a reasonably enthusiastic response from the market.

Unlike previous sterling FRNs, which have had interest payments linked to three-month London interbank rates, Halifax's two-tranche deal is linked to one-month and to six-month London interbak offered rates (Libor).

Credit Suisse First Boston, which led the deal, said the issue was designed to appeal to a range of money-market investors. Some should be attracted to the tranche paying interest linked to one-month Libor because of the inverse yield curve between one and six-month rates while others should be attracted by the 9.83 per cent first coupon fixing on the six-month tranche.

Both 10-year tranches pay 8 basis points over Libor rates and both are priced at 100.05. Fees on the one-month Libor-linked deal total 25 basis points while the second tranche has fees totalling 30 basis points. Both are callable from 1991 at par.

Both issues met fairly strong demand and traded at discounts to issue price slightly within the level of their total fees. Morgen Grenfell co-led the deal.

Elsewhere in the sterling floating-rate note market, Salomon Brothers International launched a £100m tranche of an existing FRN for Royal Bank of Scotland, launched in April last year.

Dollar fixed-rate bonds traded quietly as New York markets were closed for the Labor Day holiday. Nevertheless, Union Bank of Switzerland (Securities) launched a $75m bond for H. J. Heinz which met a strong response from the market.

The 10-year deal pays 7½ per cent coupons and is priced at par. It bears 75,000 warrants exercisable during bte next four years into a bond on the same terms.

The bond traded at a bid price of 98¾ while the warrants, issued at $16, were quoted as high as $25.

Meanwhile Metlife Funding, the US life insurance company, issued a $150m 10-year 7⅞ per cent bond, led by Credit Suisse First Boston. This deal, priced at 101, also was reasonably well-received.

Goldman Sachs launched a $120m 10-year partly-paid bond for Denmark linked to the yen/dollar exchange rate. The issue, which pays interest at 7½ per cent, is valued at 101⅝ of which only 21⅝ is payable immediately. The balance is due next March, and investors have the option of paying it in yen at a fixed exchange rate of Y156.10 to the dollar. Goldman Sachs said the deal had been mainly pre-placed with Far Eastern investors.

Two Japanese companies issued equity warrants bonds yesterday and a number are expected to follow in the coming days. Yamaichi International issued a $60m bond for Nippon Meat Packers while Daiwa Europe issued a $20m deal for Tsurumi, a pump manufacturer. Both are for five years and have indicated coupons of 2⅞ per cent.

Banque Nationale de Paris issued the first bond of the September Euro-French franc calendar. The FFr 600-m 7⅞ per cent seven-year deal was for Australian Industry Development Corporation, guaranteed by Australia. Despite some nervousness about Australian debt as a downgrading by rating agencies is expected, the deal was favourably received as its terms looked reasonable. The bond is traded at a bid price of 98⅞, as against a par issue price.

The D-Mark market traded quietly, although prices moved up by ⅛ point as the dollar weakened on the foreign exchanges.

CSFB-Effectenbank issued a DM 250m equity warrants bond for Mafima, the Dutch subsidiary of Petrofima, the Belgian energy company. The seven-year bond pays 2 per cent coupons and is priced at par. Warrants may be exercised into Petrofima shares at BFr 9,110 each, as opposed to a closing price of BFr 8,970.

The bond met strong demand and traded at about 106 on the bid side. Credit Suisse First Boston in London said that it expected to issue a $100m equity warrants bond for Petrofima later this week.

In the Swiss franc market prices were basically unchanged in small volume. Today, Tokyo Electric Power is expected to launch a SF 200m eight-year bond with a coupon set below 5 per cent. Credit Suisse will be lead-manager.

Late in the day Yamaichi International (Europe) issued a $92m seven-year bond for PK Banken, the Swedish bank. The bond pays interest at 10 per cent, while its issue price is 115¼.

● Merrill Lynch Capital Markets issued a $200m floating-rate depositary receipt for Banco di Santo Spirito. The seven-year deal is actually issued by Law Debenture Corporation but is secured by Banco di Santo Spirito deposits. The seven-year issue pays interest at the mean of bid and offer rates on six-month Eurodollar deposits and is priced at par.

Austrian bank to raise capital

BY PATRICK BLUM IN VIENNA

OESTERREICHISCHE Laenderbank, Austria's third largest bank, will make the first international issue by an Austrian Bank of participation certificates later this month in a move to raise its capital to meet capital ration requirements under a new law, the bank said.

The amount to be issued has not been disclosed but the bank intends to raise up to Sch 1bn ($71m) in participation certificates before the end of the year, a large proportion of which will be raised outside Austria. The participation certificates are roughly equivalent to risk-bearing non-voting shares.

The issue will be lead-managed by Credit Suisse First Boston and will be offered to investors in London, Frankfurt and Zurich, the bank said.

All Austrian banking institutions are having to raise their capital to 4 per cent of balance sheet totals by the end of 1991 and to 4.5 per cent within the following five years, according to a banking law passed earlier this year. The participation certificates are one of several instruments introduced with the law to help the banks raise capital.

Capital market opened in Shanghai

A MARKET for capital instruments with terms of less than six months, open to banks and other financial institutions, opened in Shanghai on Saturday, Reuter reports from Peking.

The China Daily said the market, the first of its kind in the city, handled transactions worth nearly 137m yuan ($37m) on Saturday, with the largest deal of 50m yuan.

Interest rates are set by the local branch of the People's Bank of China, according to the liquidity situation.

Initial participants in the market include 15 organisations connected with the Shanghai branch of the Industrial and Commercial Bank, according to Shanghai's Liberation Daily. The paper said the market would lead to a better use of capital and increased circulation of commodities.

Singapore considers starting USM

SINGAPORE is considering the introduction of tax and other incentives to help develop an unlisted securities market (USM).

Mr J. Y. Pillay, the managing director of the Monetary Authority of Singapore, said market makers may be given tax relief and Economic Development Board grants may be available to help pay consultancy fees and listing expenses in the new market, Reuter reports from Singapore.

Brokers expect the market to open late this year. It will be modelled on London's unlisted securities market

The main USM market makers are likely to be local stockbrokers, but others could be banks, merchant banks and foreign brokers with over-the-counter market experience.

This is neither an offer to buy or sell or exchange nor a solicitation of an offer to buy or sell or exchange any security.

THESE NOTICES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt about how you should act, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser immediately.

DOME PETROLEUM LIMITED

(incorporated in Canada with limited liability)

Notices of Meetings of the Holders of the Outstanding Principal Amounts of

U.S. $75,000,000 Floating Rate Notes due 1988

U.S. $3,130,000 16¼% Fixed Rate Notes due 1989

U.S. $50,000,000 Floating Rate Notes due 1989

U.S. $50,000,000 10% Debentures Due 1994

U.S. $50,000,000 13½% Debentures Due 1992

to be held on 2nd and 3rd October, 1986

Meetings (the "Meetings") of the holders (the "Holders") of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989, the U.S. $50,000,000 Floating Rate Notes due 1989, the U.S. $50,000,000 10% Debentures Due 1994 and the U.S. $50,000,000 13½% Debentures Due 1992 of Dome Petroleum Limited ("Dome" or the "Company") (collectively the "Notes and Debentures") will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 2nd and 3rd October, 1986. Holders will be asked to approve the waiver of the payment of all principal and interest, if any, due to them during the period from and including 28th October, 1986 to and including 27th February, 1987 (as the same may be extended) and the prospective waiver during that period of certain events of default. Holders should be aware that, if the lenders parties to the May 30 Waiver (as defined in the Extraordinary Resolutions) extend the waiver period agreed to in the May 30 Waiver to a date beyond 27th February, 1987, the waivers given by the Holders will be extended to such later date. During the waiver period interest will continue to accrue at the rates stipulated and in the manner provided for in the Trust Deeds and Trust Indentures constituting the Notes and Debentures. Subject to obtaining the necessary consents from the parties to the Debt Rescheduling Agreement (as defined below), which consents the Company believes will be obtained, and **provided each of the Extraordinary Resolutions is passed on or prior to 28th October, 1986, a special payment will be made on 31st October, 1986 of all interest on the Notes and Debentures which has accrued to and including such date.**

By way of background, in early 1986 the international price of crude oil declined significantly. The continuation of lower oil prices, together with resulting price declines for natural gas and natural gas liquids, has had a material adverse impact on Dome's revenue and cash flows. Accordingly, in April and May 1986, Dome approached its lenders who were parties to the Dome Petroleum Limited Debt Rescheduling Agreement (the "Debt Rescheduling Agreement"), Dome Mines Limited and ENCOR Energy Corporation Ltd. (formerly Dome Canada Limited) ("ENCOR") and obtained approval for an interim plan (the "Interim Plan") whereby the unsecured lenders under the Debt Rescheduling Agreement, Dome Mines Limited and ENCOR agreed to waive the payment of all interest, principal and fees due to them and the secured lenders under the Debt Rescheduling Agreement agreed to reduce the level of payments otherwise due to them and to waive payment of the balance for an interim period from and including 1st May, 1986 to and including 28th October, 1986, with provision for an extension to 27th February, 1987.

Discussions are currently being conducted by the Company with both its secured and its other unsecured lenders with a view to the development and subsequent implementation of a long term recapitalisation plan (the "Recapitalisation Plan"). In all likelihood these discussions will not be completed prior to 28th October, 1986 and the Company will be required to seek an extension of the Interim Plan to 27th February, 1987. At this time, the Recapitalisation Plan contemplates (in addition to the special payment of accrued interest mentioned above) conversion of the Notes and Debentures into one or more new securities which have a rate of return indexed to the price of West Texas Intermediate crude oil. Further meetings of Holders may be necessary in order to implement the Recapitalisation Plan; either to approve the Recapitalisation Plan directly or to appoint committees representing the interests of Holders with authority to approve the Recapitalisation Plan.

In the absence of a significant improvement in oil prices or compensating interest rate reductions and changes in government fiscal policies, the Company's continued existence as a going concern after the expiration of the Interim Plan is dependent on its ability to reach agreement on the Recapitalisation Plan, which agreement is not assured. In the absence of such an agreement, a default may occur under one or more of the Company's financial instruments, in which case a receiver may be appointed and a liquidation may follow. Clearly, any prediction as to the financial result of a liquidation of the Company is highly subjective. However, it is the Company's view that, bearing in mind the costs of liquidation and the likely proceeds of the sale of assets in today's economic environment, unsecured creditors would lose the larger part of the face value of sums due to them.

In order to allow time for the negotiation of the Recapitalisation Plan, the Company is requesting the Holders to agree to the waivers described in the Extraordinary Resolutions to be proposed at their respective Meetings. Accordingly, the Company, which is being advised by Morgan Stanley & Co. Incorporated, strongly urges all Holders entitled to vote to do so in favour of the Extraordinary Resolutions.

An information circular giving further information about the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures for the Meetings together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by Holders from the Company or from Paying Agents as and from 10th September, 1986. Copies of the Information Circular will also be provided by Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euro-clear system ("Euro-clear") and from Cedel S.A., to Holders whose Notes and Debentures are held with those clearing systems. Copies of the Company's latest Form 10-Q and Form 10-K will be available to Holders on request from the Company and from Paying Agents.

U.S. $75,000,000 Floating Rate Notes due 1988
Notice of Meeting to be held on 2nd October, 1986

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the notes comprising the outstanding principal amount of the U.S. $75,000,000 Floating Rate Notes due 1988 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of October 1, 1981 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 2nd October, 1986 at **9.30 am** for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION in accordance with the provisions contained in the Second Schedule to the Trust Deed:

Extraordinary Resolution

RESOLVED THAT this Meeting of the holders of the notes comprising the outstanding principal amount of the U.S. $75,000,000 Floating Rate Notes due 1988 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of October 1, 1981 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") HEREBY:

AUTHORISES THE WAIVER, until the expiry of the Waiver Period, of the payment of all principal and interest (including interest on interest), if any, which would otherwise be due to the holders of the Notes during the Waiver Period under the terms of the Trust Deed and the Notes;

AUTHORISES THE WAIVER of any event of default under the terms and conditions of the Trust Deed and the Notes which may occur during the Waiver Period by reason of the person entitled to the benefit of any other loan or debt of the Company becoming validly entitled to demand premature repayment thereof following a default by the Company or the Company defaulting in the repayment of such loan or debt at maturity or at the expiration of any applicable grace period therefor so long as (i) no person commences legal proceedings to enforce payment thereof or (ii) the May 30 Waiver shall not have been terminated; and

AUTHORISES AND DIRECTS the Trustee to concur in and execute a Supplemental Trust Deed embodying *(inter alia)* such waivers, such Supplemental Trust Deed to be in the form of the draft tabled at the Meeting and for the purpose of identification signed by the Chairman of the Meeting;

PROVIDED THAT such Supplemental Trust Deed shall contain *(inter alia)* all of the following conditions to its being effective:

(A) that on or prior to 28th October, 1986, the Company shall have delivered to the Trustee a cheque in an amount sufficient to pay the interest accrued on the Notes to and including 31st October, 1986;

(B) that from and including the date of the Notice convening the Meeting to and including the date on which the Supplemental Trust Deed would, but for this condition, become effective, the May 30 Waiver shall not have been terminated by any party thereto; and

(C) that on or prior to 28th October, 1986 an extraordinary resolution in terms similar to this Extraordinary Resolution, *mutatis mutandis*, shall have been passed by the holders of the notes or, as the case may be, the debentures representing the outstanding principal amounts of the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989, the U.S. $50,000,000 Floating Rate Notes due 1989, the U.S. $50,000,000 10% Debentures Due 1994 and the U.S. $50,000,000 13½% Debentures Due 1992 of the Company.

For the purposes hereof:

"May 30 Waiver" means the agreement entitled "Waiver and Memorandum of Understanding respecting the Dome Petroleum Limited Debt Rescheduling Agreement and the Rescheduled Credit Facilities" dated as of May, 30, 1986 between the Company and the other parties named therein or any other agreement replacing or superseding such agreement; and

"Waiver Period" means the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of a plan as, at present, proposed by the Company or any other plan subsequently proposed (the "Recapitalisation Plan") in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee appointed pursuant to any extraordinary resolution of the holders of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) 27th February, 1987, unless the lenders parties to the May 30 Waiver have previously approved in writing an extension of the waiver period agreed to in the May 30 Waiver to a period beyond 27th February, 1987, in which case the term "Waiver Period" shall mean the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of the Recapitalisation Plan in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee appointed pursuant to any extraordinary resolution of the holders of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) the new date of termination of the waiver period agreed to in the May 30 Waiver which date is to be a date beyond 27th February, 1987.

This Meeting is convened by Dome Petroleum Limited

The Trust Deed provides that persons present in person holding Notes or voting certificates or being proxies and being or representing in the aggregate a clear majority in principal amount of the Notes outstanding shall form a quorum for the transaction of business. If within half an hour of the time appointed for the Meeting a quorum is not present, the Meeting is expected to be adjourned until 20th October, 1986 and at such adjourned meeting two or more persons present in person holding Notes or voting certificates or being proxies (whatever the principal amount of the Notes so held or represented) shall constitute a meeting, form a quorum and have power to pass any resolution and to decide upon all matters which could properly have been dealt with at such Meeting had a quorum been present.

An information circular containing information on the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by holders of the Notes from the Company or from the following offices as and from 10th September, 1986:

Paying Agents

Société Générale Alsacienne de Banque
(Luxembourg)
15 Avenue Emile-Reuter
Luxembourg (Grand-Duchy)
as principal paying agent

European American Bank and Trust Company
(New York)
10 Hanover Square
New York, New York 10005, U.S.A.

Kuwait Investment Company (S.A.K.)
(Kuwait)
Mubarak al-Kabir Street.
Kuwait City
P.O. Box 1005 Safat
13011 Safat Kuwait

Morgan Guaranty Trust Company of New York
(Brussels)
35 Avenue des Arts
1040 Brussels, Belgium

Société Générale
(Paris)
International Finance Department
3 Rue Lafayette
75009 Paris, France

(London)
60 Gracechurch Street
London, EC3V 0HD England

U.S. $3,130,000 16¼% Fixed Rate Notes due 1989
Notice of Meeting to be held on 2nd October, 1986

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the notes comprising the outstanding principal amount of the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of March 18, 1982 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 2nd October, 1986 at **11.30 am** (or so soon thereafter as the meeting of the holders of the notes representing the outstanding principal amount of U.S. $75,000,000 Floating Rate Notes due 1988 of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION in accordance with the provisions contained in the Third Schedule to the Trust Deed:

Extraordinary Resolution

RESOLVED THAT this Meeting of the holders of the notes comprising the outstanding principal amount of the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of March 18, 1982 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") HEREBY:

AUTHORISES THE WAIVER, until the expiry of the Waiver Period, of the payment of all principal and interest (including interest on interest), if any, which would otherwise be due to the holders of the Notes during the Waiver Period under the terms of the Trust Deed and the Notes;

AUTHORISES THE WAIVER of any event of default under the terms and conditions of the Trust Deed and the Notes which may occur during the Waiver Period by reason of the person entitled to the benefit of any other loan or debt of the Company becoming validly entitled to demand premature repayment thereof following a default by the Company or the Company defaulting in the repayment of such loan or debt at maturity or at the expiration of any applicable grace period therefor so long as (i) no person commences legal proceedings to enforce repayment thereof or (ii) the May 30 Waiver shall not have been terminated; and

AUTHORISES AND DIRECTS the Trustee to concur in and execute a Supplemental Trust Deed embodying *(inter alia)* such waivers, such Supplemental Trust Deed to be in the form of the draft tabled at the Meeting and for the purpose of identification signed by the Chairman of the Meeting;

PROVIDED THAT such Supplemental Trust Deed shall contain *(inter alia)* all of the following conditions to its being effective:

(A) that on or prior to 28th October, 1986, the Company shall have delivered to the Trustee a cheque in an amount sufficient to pay the interest accrued on the Notes to and including 31st October, 1986;

(B) that from and including the date of the Notice convening the Meeting to and including the date on which the Supplemental Trust Deed would, but for this condition, become effective, the May 30 Waiver shall not have been terminated by any party thereto; and

(C) that on or prior to 28th October, 1986 an extraordinary resolution in terms similar to this Extraordinary Resolution, *mutatis mutandis*, shall have been passed by the holders of the notes or, as the case may be, the debentures representing the outstanding principal amounts of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $50,000,000 Floating Rate Notes due 1989, the U.S. $50,000,000 10% Debentures Due 1994 and the U.S. $50,000,000 13½% Debentures Due 1992 of the Company.

For the purposes hereof:

"May 30 Waiver" means the agreement entitled "Waiver and Memorandum of Understanding respecting the Dome Petroleum Limited Debt Rescheduling Agreement and the Rescheduled Credit Facilities" dated as of May 30, 1986 between the Company and the other parties named therein or any other agreement replacing or superseding such agreement; and

"Waiver Period" means the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of a plan as, at present, proposed by the Company or any other plan subsequently proposed (the "Recapitalisation Plan") in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee appointed pursuant to any extraordinary resolution of the holders of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) 27th February, 1987, unless the lenders parties to the May 30 Waiver have previously approved in writing an extension of the waiver period agreed to in the May 30 Waiver to a period beyond 27th February, 1987, in which case the term "Waiver Period" shall mean the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of the Recapitalisation Plan in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee appointed pursuant to any extraordinary resolution of the holders of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) the new date of termination of the waiver period agreed to in the May 30 Waiver which date is to be a date beyond 27th February, 1987.

This Meeting is convened by Dome Petroleum Limited

The Trust Deed provides that persons present in person holding Notes or voting certificates or being proxies and being or representing in the aggregate a clear majority in principal amount of the Notes outstanding shall form a quorum for the transaction of business. If within half an hour of the time appointed for the Meeting a quorum is not present, the Meeting is expected to be adjourned until 20th October, 1986 and at such adjourned meeting two or more persons present in person holding Notes or voting certificates or being proxies (whatever the principal amount of the Notes so held or represented) shall constitute a meeting, form a quorum and have power to pass any resolution and to decide upon all matters which could properly have been dealt with at such Meeting had a quorum been present.

An information circular containing information on the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by holders of the Notes from the Company or from the following offices as and from 10th September, 1986:

Paying Agents

Société Générale Alsacienne de Banque
(Luxembourg)
15 Avenue Emile-Reuter
Luxembourg (Grand-Duchy)
as principal paying agent

Banque Générale du Luxembourg S.A.
(Luxembourg)
14 Rue Aldringen
Luxembourg (Grand-Duchy)

European American Bank and Trust Company
(New York)
10 Hanover Square
New York, New York 10005, U.S.A.

Morgan Guaranty Trust Company of New York
(Brussels)
35 Avenue des Arts
1040 Brussels, Belgium

Société Générale
(Paris)
International Finance Department
3 Rue Lafayette
75009 Paris, France

(London)
60 Gracechurch Street
London, EC3V 0HD England

(Notices of Meetings continued)

U.S. $50,000,000
Floating Rate Notes due 1989
Notice of Meeting to be held on 2nd October, 1986

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the notes comprising the outstanding principal amount of the U.S. $50,000,000 Floating Rate Notes due 1989 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of March 18, 1982 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 2nd October, 1986 at 2.30 pm (or so soon thereafter as the meeting of the holders of the notes representing the outstanding principal amount of U.S. $3,130,000 16¼% Fixed Rate Notes due 1989 of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION in accordance with the provisions contained in the Third Schedule to the Trust Deed:

Extraordinary Resolution

RESOLVED THAT this Meeting of the holders of the notes comprising the outstanding principal amount of the U.S. $50,000,000 Floating Rate Notes due 1989 (the "Notes") of Dome Petroleum Limited (the "Company") constituted by a trust deed dated as of March 18, 1982 (the "Trust Deed") and made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") HEREBY:

AUTHORISES THE WAIVER, until the expiry of the Waiver Period, of the payment of all principal and interest (including interest on interest), if any, which would otherwise be due to the holders of the Notes during the Waiver Period under the terms of the Trust Deed and the Notes;

AUTHORISES THE WAIVER of any event of default under the terms and conditions of the Trust Deed and the Notes which may occur during the Waiver Period by reason of the person entitled to the benefit of any other loan or debt of the Company becoming validly entitled to demand premature repayment thereof following a default by the Company or the Company defaulting in the repayment of such loan or debt at maturity or at the expiration of any applicable grace period therefor so long as (i) no person commences legal proceedings to enforce repayment thereof or (ii) the May 30 Waiver shall not have been terminated; and

AUTHORISES AND DIRECTS the Trustee to concur in and execute a Supplemental Trust Deed embodying *(inter alia)* such waivers, such Supplemental Trust Deed to be in the form of the draft tabled at the Meeting and for the purpose of identification signed by the Chairman of the Meeting:

PROVIDED THAT such Supplemental Trust Deed shall contain *(inter alia)* all of the following conditions to its being effective:

(A) that on or prior to 28th October, 1986, the Company shall have delivered to the Trustee a cheque in an amount sufficient to pay the interest accrued on the Notes to and including 31st October, 1986;

(B) that from and including the date of the Notice convening the Meeting to and including the date on which the Supplemental Trust Deed would, but for this condition, become effective, the May 30 Waiver shall not have been terminated by any party thereto; and

(C) that on or prior to 28th October, 1986 an extraordinary resolution in terms similar to this Extraordinary Resolution, *mutatis mutandis*, shall have been passed by the holders of the notes or, as the case may be, the debentures representing the outstanding principal amounts of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989, the U.S. $50,000,000 10% Debentures Due 1994 and the U.S. $50,000,000 13½% Debentures Due 1992 of the Company.

For the purposes hereof:

"May 30 Waiver" means the agreement entitled "Waiver and Memorandum of Understanding respecting the Dome Petroleum Limited Debt Rescheduling Agreement and the Rescheduled Credit Facilities" dated as of May 30, 1986 between the Company and the other parties named therein or any other agreement replacing or superseding such agreement; and

"Waiver Period" means the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of a plan as, at present, proposed by the Company or any other plan subsequently proposed (the "Recapitalisation Plan") in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee *appointed pursuant to any extraordinary resolution of the holders* of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) 27th February, 1987, unless the lenders parties to the May 30 Waiver have previously approved in writing an extension of the waiver period agreed to in the May 30 Waiver to a period beyond 27th February, 1987, in which case the term "Waiver Period" shall mean the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of the Recapitalisation Plan in a form approved either by any further extraordinary resolution of the holders of the Notes or by any committee appointed pursuant to any extraordinary resolution of the holders of the Notes, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Deed or (iii) the new date of termination of the waiver period agreed to in the May 30 Waiver which date is to be a date beyond 27th February, 1987.

This Meeting is convened by Dome Petroleum Limited

The Trust Deed provides that persons present in person holding Notes or voting certificates or being proxies and being or representing in the aggregate a clear majority in principal amount of the Notes outstanding shall form a quorum for the transaction of business. If within half an hour of the time appointed for the Meeting a quorum is not present, the Meeting is expected to be adjourned until 20th October, 1986 and at such adjourned meeting two or more persons present in person holding Notes or voting certificates or being proxies (whatever the principal amount of the Notes so held or represented) shall constitute a meeting, form a quorum and have power to pass any resolution and to decide upon all matters which could properly have been dealt with at such Meeting had a quorum been present.

An information circular containing information on the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by holders of the Notes from the Company or from the following offices as and from 10th September, 1986:

Paying Agents

Société Générale Alsacienne de Banque
(Luxembourg)
15 Avenue Emile-Reuter
Luxembourg (Grand-Duchy)
as principal paying agent.

Banque Générale du Luxembourg S.A.
(Luxembourg)
14 Rue Aldringen
Luxembourg (Grand-Duchy)

European American Bank and Trust Company
(New York)
10 Hanover Square
New York, New York 10005, U.S.A.

Morgan Guaranty Trust Company of New York
(Brussels)
35 Avenue des Arts
1040 Brussels, Belgium

Société Générale
(Paris)
International Finance Department
3 Rue Lafayette
75009 Paris, France
(London)
60 Gracechurch Street
London, EC3V 0HD England

U.S. $50,000,000
10% Debentures Due 1994
Notice of Meeting to be held on 3rd October, 1986

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the debentures comprising the outstanding principal amount of the U.S. $50,000,000 10% Debentures Due 1994 (the "Debentures") of Dome Petroleum Limited (the "Company") constituted by a trust indenture dated as of the 15th day of July, 1979 (the "Trust Indenture") and made between the Company and The Canada Trust Company will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 3rd October, 1986 at 9.30 am for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION in accordance with the provisions contained in the Trust Indenture:

Extraordinary Resolution

RESOLVED THAT this Meeting of the holders of the debentures comprising the outstanding principal amount of the U.S. $50,000,000 10% Debentures Due 1994 (the "Debentures") of Dome Petroleum Limited (the "Company") constituted by a trust indenture dated as of the 15th day of July, 1979 (the "Trust Indenture") and made between the Company and The Canada Trust Company (the "Trustee") HEREBY:

AUTHORISES THE WAIVER, until the expiry of the Waiver Period, of the payment of all principal and interest (including interest on interest), if any, which would otherwise be due to the holders of the Debentures during the Waiver Period under the terms of the Trust Indenture and the Debentures;

AUTHORISES THE WAIVER of any event of default under the terms and conditions of the Trust Indenture and the Debentures which may occur *during the Waiver Period by reason of* the non-payment of the principal of, or premium, if any, or interest on, any obligation for borrowed money or the failure to perform any other covenants contained in any instrument under which such obligation is created, issued or guaranteed or by which such obligation is governed so long as (i) no person commences legal proceedings to enforce payment or repayment thereof or (ii) the May 30 Waiver shall not have been terminated; and

AUTHORISES AND DIRECTS the Trustee to concur in and execute a Supplemental Trust Indenture embodying *(inter alia)* such waivers, such Supplemental Trust Indenture to be in the form of the draft tabled at the Meeting and for the purpose of identification signed by the Chairman of the Meeting:

PROVIDED THAT such Supplemental Trust Indenture shall contain *(inter alia)* all of the following conditions to its being effective:

(A) that on or prior to 28th October, 1986, the Company shall have delivered to the Trustee a cheque in an amount sufficient to pay the interest accrued on the Debentures to and including 31st October, 1986;

(B) that from and including the date of the Notice convening the Meeting to and including the date on which the Supplemental Trust Indenture would, but for this condition, become effective, the May 30 Waiver shall not have been terminated by any party thereto; and

(C) that on or prior to 28th October, 1986 an extraordinary resolution in terms similar to this Extraordinary Resolution, *mutatis mutandis*, shall have been passed by the holders of the notes or, as the case may be, the debentures representing the outstanding principal amounts of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989, the U.S. $50,000,000 Floating Rate Notes due 1989 and the U.S. $50,000,000 13½% Debentures Due 1992 of the Company.

For the purposes hereof:

"May 30 Waiver" means the agreement entitled "Waiver and Memorandum of Understanding respecting the Dome Petroleum Limited Debt Rescheduling Agreement and the Rescheduled Credit Facilities" dated as of May 30, 1986 between the Company and the other parties named therein or any other agreement replacing or superseding such agreement; and

"Waiver Period" means the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of a plan as, at present, proposed by the Company or any other plan subsequently proposed (the "Recapitalisation Plan") in a form approved either by any further extraordinary resolution of the holders of the Debentures or by any committee appointed pursuant to any *extraordinary resolution of the holders of the* Debentures, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Indenture or (iii) 27th February, 1987, unless the lenders parties to the May 30 Waiver have previously approved in writing an extension of the waiver period agreed to in the May 30 Waiver to a period beyond 27th February, 1987, in which case the term "Waiver Period" shall mean the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of the Recapitalisation Plan in a form approved either by any further extraordinary resolution of the holders of the Debentures or by any committee appointed pursuant to any extraordinary resolution of the holders of the Debentures, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Indenture or (iii) the new date of termination of the waiver period agreed to in the May 30 Waiver which date is to be a date beyond 27th February, 1987.

This Meeting is convened by The Canada Trust Company at the request of Dome Petroleum Limited

The Trust Indenture and the Regulations made pursuant thereto provide that persons holding Debentures or voting certificates present in person or by proxy and representing at least 25% in principal amount of the Debentures outstanding shall form a quorum for the transaction of business. If within half an hour of the time appointed for the Meeting a quorum is not present, the Meeting is expected to be adjourned until 21st October, 1986 and at such adjourned meeting persons holding Debentures or voting certificates present in person or by proxy and representing at least 10% in principal amount of the Debentures outstanding shall constitute a meeting, form a quorum and have power to pass any resolution and to decide upon all matters which could properly have been dealt with at such Meeting.

An information circular containing information on the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by holders of the Debentures from the Company or from the following offices as and from 10th September, 1986:

Paying Agents

The Canadian Imperial Bank of Commerce
(London)
55 Bishopsgate
London, EC2N 3NN England
as principal paying agent
(Toronto)
Main Branch, Commerce Court
Toronto, Canada M5L 1G9

Banque Générale du Luxembourg S.A.
(Luxembourg)
14 Rue Aldringen
Luxembourg (Grand-Duchy)

Deutsche Bank Aktiengesellschaft
(Frankfurt)
Taunusanlage 12
D-6000 Frankfurt am Main 1
West Germany

Morgan Guaranty Trust Company of New York
(New York)
30 West Broadway
New York, New York 10015, U.S.A.
(Brussels)
35 Avenue des Arts
1040 Brussels, Belgium

Swiss Bank Corporation
(Zurich)
6 Paradeplatz, 8022
Zurich, Switzerland

U.S. $50,000,000
13½% Debentures Due 1992
Notice of Meeting to be held on 3rd October, 1986

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders of the debentures comprising the outstanding principal amount of the U.S. $50,000,000 13½% Debentures Due 1992 (the "Debentures") of Dome Petroleum Limited (the "Company") constituted by a trust indenture dated as of the 1st day of May, 1980 (the "Trust Indenture") and made between the Company and The Canada Trust Company will be held at The Connaught Rooms, 61-65 Great Queen Street, London WC2 on 3rd October, 1986 at 11.30 am (or so soon thereafter as the meeting of the holders of the debentures representing the outstanding principal amount of U.S. $50,000,000 10% Debentures Due 1994 of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an EXTRAORDINARY RESOLUTION in accordance with the provisions contained in the Trust Indenture:

Extraordinary Resolution

RESOLVED THAT this Meeting of the holders of the debentures comprising the outstanding principal amount of the U.S. $50,000,000 13½% Debentures Due 1992 (the "Debentures") of Dome Petroleum Limited (the "Company") constituted by a trust indenture dated as of the 1st day of May, 1980 (the "Trust Indenture") and made between the Company and The Canada Trust Company (the "Trustee") HEREBY:

AUTHORISES THE WAIVER, until the expiry of the Waiver Period, of the payment of all principal and interest (including interest on interest), if any, which would otherwise be due to the holders of the Debentures during the Waiver Period under the terms of the Trust Indenture and the Debentures;

AUTHORISES THE WAIVER of any event of default under the terms and conditions of the Trust Indenture and the Debentures which may occur during the Waiver Period by reason of the non-payment of the principal of, or premium, if any, or interest on, any obligation for borrowed money or the failure to perform any other covenants contained in any instrument under which such obligation is created, issued or guaranteed or by which such obligation is governed so long as (i) no person commences legal proceedings to enforce payment or repayment thereof or (ii) the May 30 Waiver shall not have been terminated; and

AUTHORISES AND DIRECTS the Trustee to concur in and execute a Supplemental Trust Indenture embodying *(inter alia)* such waivers, such Supplemental Trust Indenture to be in the form of the draft tabled at the Meeting and for the purpose of identification signed by the Chairman of the Meeting:

PROVIDED THAT such Supplemental Trust Indenture shall contain *(inter alia)* all of the following conditions to its being effective:

(A) that on or prior to 28th October, 1986, the Company shall have delivered to the Trustee a cheque in an amount sufficient to pay the interest accrued on the Debentures to and including 31st October, 1986;

(B) that from and including the date of the Notice convening the Meeting to and including the date on which the Supplemental Trust Indenture would, but for this condition, become effective, the May 30 Waiver shall not have been terminated by any party thereto; and

(C) that on or prior to 28th October, 1986 an extraordinary resolution in terms similar to this Extraordinary Resolution, *mutatis mutandis*, shall have been passed by the holders of the notes or, as the case may be, the debentures representing the outstanding principal amounts of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989, the U.S. $50,000,000 Floating Rate Notes due 1989 and the U.S. $50,000,000 10% Debentures Due 1994 of the Company.

For the purposes hereof:

"May 30 Waiver" means the agreement entitled "Waiver and Memorandum of Understanding respecting the Dome Petroleum Limited Debt Rescheduling Agreement and the Rescheduled Credit Facilities" dated as of May 30, 1986 between the Company and the other parties named therein or any other agreement replacing or superseding such agreement; and

"Waiver Period" means the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of a plan as, at present, proposed by the Company or any other plan subsequently proposed (the *"Recapitalisation Plan") in a form approved either by any* further extraordinary resolution of the holders of the Debentures or by any committee appointed pursuant to any extraordinary resolution of the holders of the Debentures, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Indenture or (iii) 27th February, 1987, unless the lenders parties to the May 30 Waiver have previously approved in writing an extension of the waiver period agreed to in the May 30 Waiver to a period beyond 27th February, 1987, in which case the term "Waiver Period" shall mean the period from and including 28th October, 1986 to and including the first to occur of (i) the date of effectiveness of the Recapitalisation Plan in a form approved either by any further extraordinary resolution of the holders of the Debentures or by any committee appointed pursuant to any extraordinary resolution of the holders of the Debentures, (ii) the date of termination of the waiver as provided for in the Supplemental Trust Indenture or (iii) the new date of termination of the waiver period agreed to in the May 30 Waiver which date is to be a date beyond 27th February, 1987.

This Meeting is convened by The Canada Trust Company at the request of Dome Petroleum Limited

The Trust Indenture and the Regulations made pursuant thereto provide that persons holding Debentures or voting certificates present in person or by proxy and representing at least 25% in principal amount of the Debentures outstanding shall form a quorum for the transaction of business. If within half an hour of the time appointed for the Meeting a quorum is not present, the Meeting is expected to be adjourned until 21st October, 1986 and at such adjourned meeting persons holding Debentures or voting certificates present in person or by proxy and representing at least 10% in principal amount of the Debentures outstanding shall constitute a meeting, form a quorum and have power to pass any resolution and to decide upon all matters which could properly have been dealt with at such Meeting.

An information circular containing information on the business and financial affairs of the Company, summarising the principal provisions of the Debt Rescheduling Agreement and the May 30 Waiver and detailing voting procedures together with copies of the Company's latest Form 10-Q and Annual Report for 1985 may be obtained by holders of the Debentures from the Company or from the following offices as and from 10th September, 1986:

Paying Agents

The Canadian Imperial Bank of Commerce
(London)
55 Bishopsgate
London, EC2N 3NN England
as principal paying agent
(Toronto)
Main Branch, Commerce Court
Toronto, Canada M5L 1G9

Banque Générale du Luxembourg S.A.
(Luxembourg)
14 Rue Aldringen
Luxembourg (Grand-Duchy)

Deutsche Bank Aktiengesellschaft
(Frankfurt)
Taunusanlage 12
D-6000 Frankfurt am Main 1
West Germany

Morgan Guaranty Trust Company of New York
(New York)
30 West Broadway
New York, New York 10015, U.S.A.
(Brussels)
35 Avenue des Arts
1040 Brussels, Belgium

Swiss Bank Corporation
(Zurich)
6 Paradeplatz, 8022
Zurich, Switzerland

Holders entitled to attend and vote at the Meetings may either attend in person with their Notes or Debentures or obtain from any of their respective Paying Agents voting certificates in respect of Notes or Debentures deposited with such Paying Agent. The voting certificate will specify the Meeting (or any adjournment thereof) that each bearer thereof is entitled to attend and vote at in respect of the Note(s) or Debenture(s) represented by such voting certificate.

Alternatively, Holders may deposit their Notes or Debentures with a Paying Agent with instructions as to the manner in which the votes attributable to their Notes or Debentures so deposited should be cast in relation to the Extraordinary Resolution.

Holders who wish to obtain voting certificates or to instruct a Paying Agent to exercise the votes attributable to their Notes or Debentures may deposit their Notes or Debentures with a Paying Agent as previously specified until 48 hours before the time appointed for holding the Meeting but not thereafter.

Holders whose Notes or Debentures are held by Euro-clear or Cedel S.A. and who, in the case of Euro-clear, wish to give voting instructions or, in the case of Cedel S.A., wish to obtain voting certificates or to give voting instructions, may (in addition to withdrawing their Notes or Debentures from the respective clearing system and depositing them with a Paying Agent either to obtain from that Paying Agent a voting certificate or to give that Paying Agent voting instructions) direct Euro-clear or, as the case may be, Cedel S.A. to transfer their Notes or Debentures to the respective special accounts set out below. Euro-clear or, as the case may be, Cedel S.A. will, after the transfer is completed, either, in the case of Euro-clear, give the Paying Agent the Holder's voting instructions or, in the case of Cedel S.A., either obtain and forward a voting certificate to such Holder or give the Paying Agent the Holder's voting instructions. Thereafter, Notes or Debentures will be held in the special account of the respective Paying Agent until the first to occur of (a) the conclusion of the Meeting (or any adjournment thereof) specified in the voting certificate or, as the case may be, in the voting instructions or the result of any poll taken on any resolution proposed thereat is determined (whichever is the later) and (b) the surrender to the Paying Agent who has issued the same of any voting certificate issued in respect of the Notes or Debentures or the revocation (not less than 48 hours before the time for which the meeting or any adjournment thereof is convened) of any voting instruction given in respect of the Notes or Debentures. Holders whose Notes or Debentures are held by Euro-clear are asked to contact the Custody Operations Department of Euro-clear (telephone: Brussels (322) 519 1211, telex 61025) and Holders whose Notes or Debentures are held by Cedel S.A. are asked to contact the Corporate Actions Department of Cedel S.A. (telephone: Luxembourg (352) 449921, telex 2791). Holders whose Notes or Debentures are held by Euro-clear cannot obtain a voting certificate through Euro-clear. The Euro-clear special accounts will be in the name of Morgan Guaranty Trust Company of New York (Brussels). The Cedel S.A. special accounts will be, in the case of the U.S. $75,000,000 Floating Rate Notes due 1988, the U.S. $3,130,000 16¼% Fixed Rate Notes due 1989 and the U.S. $50,000,000 Floating Rate Notes due 1989, in the name of Société Générale Alsacienne de Banque (Luxembourg) and, in the case of the U.S. $50,000,000 10% Debentures Due 1994 and the U.S. $50,000,000 13½% Debentures Due 1992, in the name of Banque Générale du Luxembourg S.A.

The following documents will be available for inspection at the Company (at 3300 Dome Tower, 333-7th Avenue, S.W., Calgary, Alberta, Canada) and the Paying Agents: the 1985 Annual Report of the Company; the Trust Deeds or, as the case may be, the Trust Indentures constituting the Notes and Debentures; and any Deeds or Indentures supplemental thereto. A copy of the Debt Rescheduling Agreement and the May 30 Waiver will be available for inspection at offices of the Company (as above) and at the following offices: Slaughter and May, 35 Basinghall Street, London EC2V 5DB; Banque Générale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg (Grand-Duchy); Staehelin Hafter Jagmetti Lutz & Partner, 58 Bleicherweg 8027, Zurich. Documents will be available for inspection during usual business hours on any weekday (public holidays excepted).

A SUBSEQUENT NOTICE RESPECTING THE OUTCOME OF THE MEETINGS WILL, AS SOON AS IS REASONABLY PRACTICABLE AFTER THE CONCLUSION OF THE MEETINGS, BE PUBLISHED BY THE COMPANY TO NOTIFY *HOLDERS OF WHETHER OR NOT THE EXTRAORDINARY RESOLUTIONS WERE PASSED AND, IF APPROPRIATE, THE METHOD WHEREBY THE SPECIAL INTEREST PAYMENT WILL BE MADE.*

Dated 2nd September, 1986.

INTL. COMPANIES and FINANCE

Korean industry leapfrogs into competition with the world

BY STEVEN BUTLER IN SEOUL

SAMSUNG, Hyundai, Goldstar, Daewoo. Korea's four largest industrial conglomerates are not yet household names in the West. But that, it appears, will be just a matter of time.

"There is nothing like them in Asia outside of Japan," said a foreign banker in Seoul.

Indeed there is nothing like them anywhere outside the developed world. The Korean economic miracle, as it matures, is producing more than just astonishing growth statistics and ever-rising volumes of exports.

Korea, uniquely among the developing countries, is producing world-class manufacturing companies that are becoming internationally competitive by offering more than just cheap labour. Large and diversified, they are moving rapidly up the technology scale, testing new markets and improving manufacturing methods.

Hyundai Motor Company is now mocking those who scoffed at the company's ambitious plans to sell 100,000 cars in the US in the first year of operation. In just seven months Hyundai sales have alreadv passed 75,000.

Daewoo Telecom, a Daewoo subsidiary, has set the pace for the rapidly growing IBM-clone market with an innovative computer marketed by Leading Edge in the US.

Goldstar and Samsung Electronics, Korea's leading consumer electronics companies, have begun ambitious advertising campaigns in Europe and the US to establish firm brand-name identification with quality.

Mr Han Hyoung-Soo, president of Samsung Electronics, is immodest about the goals for his company—to become an Electronics giant on the scale of Matsushita, Hitachi and Sony.

This is part bluster, designed to inspire a large organisation to move in a single direction. But move they do, and the results are drawing increasing attention in industry after industry throughout the world.

Korea is demonstrating the potential for companies in developing nations to leapfrog into areas of technology and marketing that put them quickly into competition with the world's leading manufacturers.

Korea's case is a strong argument for decisive government intervention, showing that

The nation was bereft of natural resources. It could not invest because it could neither manufacture capital goods nor generate the foreign exchange to buy them

partnerships between government and private business can work — and work even better than in Japan.

Korea's economic development started in earnest in the early 1960s only after the government involved itself directly in raising capital and investing it.

The Bank of Korea, Korea's central bank, and even the president decided what to build, down to specific cement or fertiliser plants, and channelled funding toward favourite industrialists.

In most parts of the world this method of managing the economy has been a formula for fraud and waste. However, time is showing that Korea has made it work. The Government picked the right areas, defying notions that only the market can select the winners.

In the early 1960s Korea had all the classic characteristics of underdevelopment — a chronic balance of payments deficit, low rate of savings and investment, and widespread—and severe—poverty.

The nation was bereft of natural resources. It could not invest, even if it had had the domestic savings, because it could neither manufacture capital goods nor generate the foreign exchange to import them.

The Government began by borrowing abroad for investment in simple import substitution schemes — buying whole plants to produce cement and fertiliser rather than allowing the import of these products to become a long-term drain of foreign exchange.

At the same time the Government, in effect, subsidised a whole range of light manufacturing export industries, especially textiles, by allocating scarce bank financing. By doing this it took advantage of Korea's only comparative advantage, cheap labour.

The combination of borrowing abroad and finding new export markets for manufactured goods kept up the supply of investible foreign exchange to import new manufacturing equipment and to move industry steadily toward a higher plane of technology.

The result is that the fourth largest foreign debt in the world, at over $47bn, is easily serviceable from exports that totalled $30.28bn in 1985.

Exports reached a remarkable 37.9 per cent of Korea's gross national product last year and have provided the principal demand stimulus for growth.

There was another key element in the formula. The Government erected protectionist walls to keep out the developed world's consumer goods—which was designed not to protect infant Korean industries so much as to prevent Koreans from frittering away foreign exchange on consumption.

The high prices Korean consumers paid for domestically produced goods concealed a method of forced savings, as much of the higher margins went to pay interest on loans to Government-controlled banks. The high prices at home enabled Korean companies to sell their goods more cheaply abroad, in order to bring in more hard currency.

Classical trade theory tells us these steps should produce severe economic distortion, inefficiency and anaemic companies unable to compete internationally.

Yet Mr Park Sung Sang, Governor of the Bank of Korea, argues that the theory of comparative advantage in international trade does not apply to the developing countries.

"If a developing country follows the theory of comparative advantage they have to import everything," he said.

While Korea kept out consumer goods, it opened the door made them march to his own to machinery and plant, with government-allocated capital concentrated in the hands of a relatively small group of trusted industrialists.

In the 1960s Lee Byung-Chul, chairman of a sugar refinery and a wool mill, received a huge loan to build a fertiliser complex in the city of Ulsan. Today he chairs a group of companies called Samsung, which Fortune magazine ranked 42nd largest in the world in terms of sales.

Mr Lee is an old-fashioned entrepreneur who founded a huge set of organisations and tune. Along with 70-year-old

All the top groups, however, face a number of hurdles in the years ahead. All are still led by their founders and they will inevitably face a crisis as leadership is passed on

Mr Chung Ju-Wong, Hyundai chairman, Mr Koo Cha-Kyung of Goldstar, and Mr Kim Woo-Choong of Daewoo, he has defined modern industry for Korea and set new behavioural norms for a generation of Koreans who have fled the farm.

The Korean workforce has also been a surprise. Its exceptional willingness to work long, hard hours is now legendary. It has been a highly educated, and therefore trainable, workforce, even in the 1960s, when per capita income failed to reach that of Ghana or the Sudan.

That workforce is now buttressed by a reverse immigration of Korean scientists and managers, who are leaving successful careers in the West to come home. Many take what amounts to a permanent cut in pay, and they must work long hours in Korea.

"I'm repaying a kind of debt," one said.

The Government was not, however, inallable. It treated the captains of Korean industry as its servants, subsidising industry with scarce bank financing and expecting them to do the Government's bidding.

The result in the late 1970s were overbloated heavy machinery, chemical, and automobile industries, plus a galloping rate of inflation that—dangerously—steered domestic savings into the property market.

That course has since been reversed, and as the economy becomes more complex the Government is gradually allowing markets to determine the direction of investment.

All the top four groups, however, face a number of hurdles in the years ahead. All are still led by their founders and they will inevitably face a crisis as leadership is passed on.

Government support for the companies is also now less certain. Its policy favours the development of small industry.

The large groups have come under political attack for an excessive concentration of wealth. If they run into trouble again because of their far-flung operations, the Government would pay a steep political price to mount a rescue.

However, the momentum of what has already been created is surely too strong to be halted.

The skills needed to run large, dynamic organisations are now firmly in place. Neither continuing Government support nor the charismatic leadership of a few key entrepreneurs seem necessary any longer to make Korean companies a growing force in international competition.

APPOINTMENTS

Sally Group restructure

Development in both the ferry and port divisions of the SALLY GROUP in the UK have prompted a restructuring of the company at senior management level. Mr Michael Kingshott, formerly managing director of both divisions, will in future concentrate on the development of the Sally UK Group as managing director of Sally UK Holdings and on the further expansion of the port division as managing director of Port Ramsgate. Mr Kingshott will continue to be a director of Sally Line. Mr Bertil Hansen, formerly chief executive, has been appointed managing director of Sally Line.

★

Edinburgh-based FERRANTI DEFENCE SYSTEMS has made a number of organisational changes to strengthen its board. Mr David Nisbet, manager of navigation systems department, and Mr Ron Dunn, manager of electro-optics department, have been appointed directors. Mr Eric Henney has been named as director of marketing and product support. Former Tornado radar product group manager, Mr Geoff Brown succeeds Mr Henney as manager, product support. Mr Ron Palmer replaces Mr Brown.

★

MID-SUSSEX WATER COMPANY, Haywards Heath, has a new chairman. He is Mr David Jennings, who has been a director since 1962, and has taken over as chairman following the retirement of Mr Gordon Swales. In March 1987 Mr Ian Forster, who joined the company in 1960 as chief engineer, and is now general manager, is retiring, but he will continue as a director. In his place as general manager, the board has appointed Mr Michael Streeter, currently secretary and treasurer, who became a director this year.

Mr John R. Verrill has joined the partnership of LAWRENCE GRAHAM.

★

JARVIS PORTER GROUP has appointed Mr Timothy Frankland to the board as a non-executive director. He is a director of Hill Samuel & Co, chairman of Newman Tonks Group and a non-executive director of James Neill Holdings.

★

DBF TELEVISION, Edinburgh, a Scottish company making video films for financial institutions and industry, has appointed Mr Robin Howie as non-executive director with special responsibility for guiding the company's financial development. He is financial director of Moray Firth Maltings, Inverness, which was acquired last year by Scottish & Newcastle Breweries.

★

Mr Geoffrey Richards has been appointed managing director, NORSK HYDRO FERTILIZERS, Ipswich. He succeeds Mr H. J. Blackboro who will remain a non-executive member of the board. Mr Richards joined Norsk Hydro in June 1983 as sales director and was appointed sales and marketing director in July 1984.

CONTRACTS

Making weather maps

SIGMEX INTERNATIONAL has won two contracts worth nearly £7m, for computer systems and software for the Dutch Royal Airforce and for Nato headquarters in Belgium. The Dutch contract, initially worth about £4m was won by the company's Dutch subsidiary and is for the supply of a meteorological information system called METIS. The system will allow rapid preparation of weather maps using data acquired from many different sources, including satellite and radar. The Nato contract is for the war headquarters information display and dissemination system at SHAPE.

★

Three Ministry of Defence contracts have been awarded to SOUTER SHIPYARD, Cowes, Isle of Wight, part of the Associated British Machine Tool Manufacturers Group. The largest, worth nearly £750,000, is for four landing craft for the Royal Marines. The Ministry has also awarded contracts for two target support vessels and 20 sail training craft.

★

TROLLOPE & COLLS has completed phase I of a £6m building contract in Mayfair, W1 for the London and Edinburgh Trust. This initial phase was for the enabling works prior to the construction of new buildings. It called for the demolition of 61a Curzon Street and 17 Stratton Street (now renumbered 63 and 65, Curzon Street), while retaining he period facade fronting Stratton Street. Foundations, consisting of 100 piles, 21 metres deep, were also installed. The final phase is the construction of two self-contained seven-storey office buildings, No. 65 of about 40,000 sq ft and No. 63 Curzon Street of about 8,000 sq ft. Completion is scheduled for autumn 1987. Trollope & Colls is a member of the Trafalgar House group.

★

TILBURY CONSTRUCTION has gained contracts worth £4.5m. One of these—worth over £500,000—involves construction work at Billingsgate Market. A contract involving reconstruction work on the West Pier at Brighton has also been awarded. Work worth over £500,000 has been won for a planned extention to Milton Keynes General Hospital. A contract worth £560,000 involves demolition of a disused railway viaduct at St Levan Road, Plymouth, and an order to construct a roundabout on the A30 at West Coker near Yeovil.

★

The Ministry of Electricity and Water, Dubai, United Arab Emirates, has signed a three-year service agreement with ASEA STAL, Finspong, Sweden. The contract, valued at around SKr 19m (£1.8m), covers the inspection and maintenance of six gas turbine power plants, supplied by ASEA STAL. They are all equipped with Jupiter industrial gas turbines, each producing around 15 MW. The agreement may lead to additional orders for spare parts.

LADBROKE INDEX

1,343-1,349 (+35)

Based on FT Index

Tel: 01-427 4411

NOTICE OF CORRECTION

for the Notice of Redemption

To the holders of

PHOENIX MUTUAL MORTGAGE FUNDING CORPORATION

10¼% Sinking Fund Bonds due September 12, 1992

Published: August 12, 1986

The original principal amount per $5,000 of the Bonds remaining outstanding after the September 12, 1986 optional and mandatory sinking fund redemption is $4,822.90; not $4,882.90 as appeared in the original notice.

Phoenix Mutual Mortgage Funding Corporation

By: The Chase Manhattan Bank (National Association)

Trustee and American Paying Agent

Dated: September 2, 1986

To the Holders of

TOKYU CONSTRUCTION CO., LTD.

U.S. $50,000,000

4¼% Guaranteed Notes due 1991 with Warrants

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) and (B) of the Instrument dated March 26, 1986 under which the Warrants to subscribe for shares of Tokyu Construction Co., Ltd. were issued, you are hereby notified that a free distribution of shares of our Company at the rate of 0.05 share for each one share will be made to the shareholders of record as of September 30, 1986.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of said Warrants will be adjusted pursuant to Condition 7 of the Warrants, from 528.00 Japanese Yen per share of common stock to 502.90 Japanese Yen per share of common stock, effective October 1, 1986.

TOKYU CONSTRUCTION CO., LTD.

Dated: September 2, 1986

UK COMPANY NEWS

Higher offer rejected as opposition to Highams' bid grows

Council tightens Ship Canal control

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MANCHESTER City Council yesterday used its majority voting strength on the board of the **Manchester Ship Canal Company** to restrict management's freedom of action and make it more difficult for **Highams** to take over and run the company.

Highams, a privately-owned textiles and property group controlled by Mr John Whittaker, the chairman of Largs, is bidding for the MSCC and claims 56 per cent of the shares. But because of a tapered voting system, weighted to favour small shareholders, it has only 38 per cent of the votes.

The MSCC board yesterday unanimously rejected an increase in the bid of 50p per share to £6.75, as inadequate. The increase was made yesterday in a non-binding letter from Mr Whittaker. MSCC shares were trading at £7 each at the time.

The City Council has a permanent majority of one on the board of MSCC, in spite of having no shares. This arises from an Act of Parliament in 1904 after the council had saved the company financially. It does, however, hold a £5m debenture at 3.25 per cent.

Mr Graham Stringer, leader of the Labour-controlled council and deputy chairman of MSCC, said yesterday that Manchester had subsidised the canal for the last 30 years by foregoing a more realistic rate of interest. He put the notional subsidy at about £30m.

The council representatives yesterday proposed successfully that the MSCC management would no longer be allowed to complete transactions of more than £100,000, or apply for planning permission, or transfer land and assets without consent of the board. In effect that MSCC management cannot do anything significant without the permission of the city council.

The board also assumed total hire and fire powers. Mr Stringer said this was to safeguard employees' interests.

He said that the council had been embarrassed by the management applying for planning permission to develop Barton Dock Estate as a retail hypermarket. The development company it approached had trading connections with South Africa and the council knew nothing about the application until it had been made.

The estate, which Highams also wants to develop, is the key to the takeover bid. Informed sources suggest that if planning permission were granted, the company would be worth nearer £60m than the £37m value of the Highams bid.

The planning application has been called in by the Government for an overall review of where such a development might be sited in the north-west.

Manchester City Council is opposed to the development because of the possible effect on city centre shopping. It is also opposed to Mr Whittaker, who was described by Mr Stringer as totally unsuitable to run the MSCC, an operation in which he had no experience.

Mr Stringer added that the restrictions placed yesterday on the running of the company were to assert the council's rights and establish precedent should Highams succeed in getting more than 50 per cent of voting power.

Mr Whittaker could do this by breaking up Highams' holding among nominees. The minority shareholders could also spread their holdings and stave off loss of day-to-day control yet more shareholders sold. But Mr Martin Hill, Highams' managing director, predicted yesterday that this would prove fruitless.

He said: "We hoped that common sense would prevail. The situation is beginning to look absurd. It is like each side saying to the other that my dad is bigger than your dad."

He added that Highams would be considering yesterday's events while acceptances continued to trickle in.

If Highams gained control it could run the company via extraordinary general meetings to overcome the city council's boardroom veto on MSCC policies. Mr Stringer said yesterday that this would prove harder to do in practice than Mr Whittaker might think. He declined to reveal tactics but it seems that the council has contingency plans ready for this eventuality.

Extel rebuts alleged anomalies

By Lionel Barber

EXTEL, the business and sporting information group, yesterday rebutted allegations of anomalies in the vote count at last week's shareholders' meeting called to approve the company's $40m (£26.8m) acquisition of Dealers Digest, a New York publishing company.

The allegations were raised by Henry Ansbacher merchant bank. Ansbacher has, in the past, acted for Mr Robert Maxwell, the publisher, whose campaign to block the Digest deal failed narrowly last week.

At last week's meeting, a proxy count showed 18.24m votes in favour (51.26 per cent of votes cast), compared with 17.34m (48.74 per cent) against. Ansbacher refrained from claiming that the alleged anomalies affected the result.

Mr Alan Brooker, Extel chairman, said he was surprised that Ansbacher had sought to impugn the reputation of the company's registrars, the Royal Bank of Scotland, and the company's auditors, Deloitte Haskin and Sells, both of whom acted as scrutineers. He did not propose taking any action

Lord Spens, an Ansbacher director, said he understood that at least 17.418m shares had voted against the deal: Mr Maxwell's 29.9 per cent holdings, pension funds of companies associated with Mr Maxwell; Ansbacher's own 3 per cent holding; and three, unnamed institutions.

Mr Brooker pointed out that Ansbacher had claimed the votes cast on the first and second resolutions at the meeting were 17.322m and 17.34m respectively. In fact, the figures were the other way round, Mr Brooker said.

Lord Spens did not dispute this when contacted last night. But he said he stood by his original arithmetic and asked any shareholders not mentioned by Ansbacher who voted against the deal to contact the bank.

N. M. Rothschild, merchant bank advisers to Mr Maxwell, said it was not involved with the Ansbacher complaint.

Mr Brooker said the Digest purchase was completed on Friday night after the meeting. Some 70 per cent of shareholders had taken up their entitlement of new Extel shares which represent 15 per cent of the company's enlarged share capital.

The issue of new shares has diluted Mr Maxwell's shareholding to around 25.5 per cent, Mr Brooker said. Extel shares rose 9p yesterday to close at 372p.

Battle for British Sugar takes to the fields

BY ANDREW GOWERS

THE BATTLE for control of British Sugar, the UK sugar beet monopoly, will move into the fields of East Anglia, Yorkshire and the Midlands this month.

Over the next few weeks, senior executives of both Tate & Lyle, the UK cane refiner, and Ferruzzi, the Italian agribusiness group, will don their Wellington boots in an unusual attempt to win the hearts and minds of sugar beet growers.

The two companies mounted bids earlier this year for S. & W. Berisford, the commodity trading and processing group which is British Sugar's parent, and both were referred to the Monopolies and Mergers Commission.

A report on the issue is not now expected from the Commission until next February. But in the meantime neither would-be bidder is wasting any opportunity of pressing its case as the beet harvest moves into top gear.

Tate, which is desperately anxious to obtain control of its main rival British Sugar, partly in order to ease pressure on its UK cane-refining profits, yesterday detailed plans for five open meetings with farmers in sugar beet growing areas.

Mr Neil Shaw, chairman and chief executive, will be pursuing the well-worn argument that it is essential for Tate to take over British Sugar in order to build a strong, unified and efficient UK sugar industry and fight off threats within the EEC.

As a sweetener to sugar beet growers who may be sceptical of the cane-dominated group's intentions, he will be offering the farming community the chance to take a stake of between 10 and 20 per cent in British Sugar after Tate's takeover, at the price which Tate paid.

Ferruzzi, a privately-owned empire which already largely controls the Italian sugar industry and has a dominant position among French producers, has been a little quicker off the mark—partly because it knows it has more to prove to suspicious British farmers.

It has enlisted the assistance of two men with impressive Establishment credentials—Sir Richard Butler, former president of the National Farmers' Union, and Sir Alan Campbell, former British ambassador in Rome—and has already held three meetings with farmers in East Anglia and Worcestershire.

Executives of Ferruzzi and its PR people are meeting today to finalise details of a renewed campaign in the autumn.

Ferruzzi, which is trying to take over British Sugar through a recently-formed holding company, Agricola UK, says it would bring fresh financial strength to the company, and would strive to increase UK sugar production and to develop new outlets for the product

Both sides are also discreetly lobbying MPs and industrial sugar buyers — although they prefer to call their efforts an "information campaign."

Both are acutely aware of the need to persuade the farmers of their case, given that the NFU is expected to make an important contribution to the deliberations of the Monopolies Commission.

● Ferruzi has given an undertaking to the Secretary of State for Trade not to raise its 23.7 per cent stake in S & W Berisford during the course of the current Monopolies Commission investigation.

This matches an earlier undertaking by Tate & Lyle which is free to increase its 9 per cent stake in Berisford to 23.7 per cent but no higher. Both Tate and Ferruzzi have said they are interested in bidding for British Sugar, Berisford's prize asset.

Wold acquires fish producer

Wold, the USM-quoted frozen vegetables producer, plans to diversify into fish with the acquisition of Ice 'N' Easy, a privately-owned sea food producer, for a maximum consideration of £1.95m, to be paid in shares.

The two companies have exchanged conditional contracts and Wold's management expects to conclude the acquisition within the next few weeks. Wold will pay an initial consideration of £400,000 for Ice 'N' Easy, the rest of the payment will be deferred and will depend on Ice 'N' Easy's profitability in the three years to December 31 1988.

Ice 'N' Easy supplies frozen prawns and speciality seafood to retail multiples and for catering distribution. It produced pre-tax profits of £241,000 on turnover of £2.9m in its last financial year to November 30 1985. Wold's share price rose by 4p to 70p on the announcement yesterday.

Wold has had a troubled time since its emergence on the USM in May last year. The vegetable business is strictly seasonal. Wold often produces losses in the first half of its financial year, but last year the problem of seasonality was compounded by inclement weather. The acquisition of Ice 'N' Easy represents an opportunity to alleviate this seasonality.

Tiphook rights to raise £12m

BY DAVID GOODHART

Tiphook, the container leasing company, is proposing to raise about £12m in a one-for-three rights issue aimed primarily at reducing gearing from its present level of a little under 500 per cent.

The company came to the market one year ago in an offer for sale plagued by problems but has since grown rapidly with turnover up 77 per cent to £25.3m and pre-tax profit up 67 per cent to £2.7m.

The growth—which has been both organic and by acquisition—has led to a 50 per cent increase in the container fleet and an 85 per cent increase in the trailer fleet.

In the process net borrowings have increased from £33m to about £70m.

Although leasing companies often have higher gearing than is usual borrowings of £70m against shareholders' funds of only £14m has clearly now been deemed too high. After the rights issue shareholders' funds will rise to £25m and the gearing will retreat to 250 per cent.

Tiphook also admitted yesterday that it may have recently exceeded, inadvertently, the borrowing limit of 500 per cent contained in its Articles of Association.

The board will therefore propose a resolution at an egm on September 18 ratifying any possible breach between its flotation in July 1985 and the day of the egm.

The rights issue of 4.9m shares (at 250p a share)—which is dependent on the above resolution being passed—is also likely to be used to continue expansion.

It also said that both Tiphook Containers and Central Trailers were continuing to enjoy excellent utilisation rates on their growing fleets and competitive US dollar prices were allowing expansion in the Far East at relatively low cost. Tiphook closed unchanged at 285p.

Boots gets strong backing for US deal

BY LIONEL BARBER

Boots, the pharmaceutical retailer and manufacturer, has received strong shareholder support for its proposed £400m acquisition of the Flint division of Baxter Travenol Laboratories, the US drug company.

The deal is expected to be completed tomorrow.

Existing Boots shareholders have taken up 77.5 per cent of the 184.2m new shares at 205p each to finance the deal. The balance will be sold in the market, Morgan Grenfell, Boots merchant bank advisers, said yesterday.

Some shareholders had voiced criticism of the Flint purchase, arguing it was too high a price. This surfaced at last week's extraordinary general meeting called to approve the issue of new shares.

The acquisition was arranged via a vendor placing of new shares with a 100 per cent "clawback" for existing shareholders. Major institutions such as the Prudential had pressed for such clawbacks in order to protect the rights of existing shareholders against dilution.

Yesterday, Rowe & Pitman, which arranged the placing, said that the result had been very successful. Mr Nick Verey, a director at Rowe & Pitman, said he estimated that around 50 per cent of existing shareholders had taken up their entitlement.

T&N bid heads for tight finish

BY DAVID GOODHART

THE HOTLY contested £250m bid by Turner & Newall for engineering group AE looks set for a close finish on September 12 after yesterday's announcement from T&N that it now owns or has acceptances for around 36 per cent of AE.

The T&N bid was not taken very seriously until it raised it by £50m on August 12. Since then it has bought 23.9 per cent of AE in the market (mainly at 235p) to add to the 1.5 per cent it owned before the bid was launched.

Yesterday T&N said it had also received acceptances from 10.6 per cent of AE shareholders. Sir Francis Tombs, the T&N chairman, added that the response from institutional shareholders with whom the company has had interviews over the past two weeks has been very satisfactory.

The share offer and cash alternative has been extended a final time until 1 pm on September 12.

In the meantime T&N is likely to continue trying to buy in the market at the cash alternative price of 240p up to the maximum of 29.9 per cent.

Mr Richard Crick, of AE's merchant bank Hill Samuel, said that 35.9 per cent was at the "bottom end" of most expectations and that the "long term institutions" are solid.

AE was unchanged on 233p: T&N up 4p at 190p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Church & Co. ......int.	2.5	Oct. 20	2.5	—	8.5
Flogas	2.13†‡¶	—	1.59	3.4	2.65
Goodhead Print	2‡	—	—	3	—
Isis	7§	—	5.5	13	10.5
Macfarlane Group int.	1.11	Oct. 10	1.01	—	2.48
Powerline Intl. ......int.	1‡	—	0.8	—	1.8
Richards (Leics.) int.	1.5	Nov. 17	1	—	3
Thermax	4‡	—	1	5	1

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency.

Powerline 24% lower midway

Profits of **Powerline International,** with interests in electronic distribution, advertising and public relations services, fell by 24 per cent to £649,000 pre-tax at the six months' stage.

The directors said, however, that prospects were improving and that in the second six months of 1986 they expected the USM group to achieve higher turnover and profits than in the opening half.

The interim dividend is being lifted from 0.8p to 1p net.

Turnover for the first half pushed ahead from £3.83m to £4.84m, helped by the inclusion of a first-time contribution from the acquisition of Cosmos Powerline of West Germany.

UK COMPANY NEWS

Acorn's improvement is quicker than expected

BY DAVID THOMAS

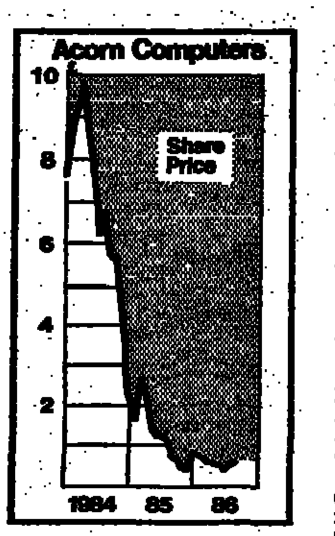
Acorn Computer Group had an operating profit of £298,000 on turnover of £19.6m for the first half of 1986. This is the first operating profit since it was twice rescued last year by Olivetti, which now holds almost 80 per cent of Acorn's shares.

The results compare with an operating loss of £10m on turnover of £23m in the same period last year. The return to profitability was achieved more rapidly than Olivetti anticipated at the the time of last year's financial crisis. Acorn's shares traded on the USM closed 12p up at 58p.

With exceptional items down from £4.37m to £210,000, relating to the relocation of warehousing, and lower interest charges at £228,000 (£1.35m), the pre-tax loss was cut from £15.76m to £140,000. There was no tax charge, against a credit of £1.14m last time, giving the loss per 10p share of 0.2p (76.5p).

There will be no interim dividend.

Mr Brian Long, Acorn managing director, confirmed that Olivetti might wish to see its stake diluted through a rights issue once Acorn had been trading profitably for a sustained period. He declined to speculate on timing.



Acorn sold 50,000 computers in the first half of the year, three-quarters of them from the new BBC Master Series, launched in January, Mr Long said. The Master Series had captured new customers in areas such as health care and communication.

He thought revenue would be higher in the second half of the year, in part because of the launch yesterday of the BBC Master Compact, at the bottom end of the Acorn range.

Mr Long said he expected two-thirds of the Compact's sales to be abroad, half of those in Italy, where the machine will be marketed by Olivetti.

Overdraft levels were reduced to £2.4m at the end of June from £6.9m at the end of December through sale of stocks and cutting overheads. Mr Long said the overdraft and interest charges may have to rise to help finance the launch *of new products.*

The release of a £450,000 exchange reserve no longer required against Acorn's US sales operation yielded a profit of £310,000 (£15.93m loss) after extraordinary items for the first half of the year. Last time there was an extraordinary debit of £1.1m.

A settlement has been reached with Customs and Excise on the disputed VAT assessment referred to in the last report.

Thermax soars to £1.7m profit after selling lossmaker

BY ALICE RAWSTHORN

Thermax Holdings, a USM-quoted glass manufacturer, announced yesterday that it had returned to profit, by producing pre-tax profits of £1.76m in the year ending June 30, compared with losses of £20,000 in the previous year.

The cause of Thermax's losses—the sheet metal fabricatory, VW—was sold last autumn. Thermax acquired VW in 1983 in order to mount a reverse takeover onto the USM. VW was operating at a loss before the reverse takeover, but the losses mounted under Thermax's ownership.

"There was never any industrial logic in the merger," said Mr Christopher Westenholz, a non-executive director of Thermax. "The acquisition was simply a means of securing a public quotation. But VW's losses were far higher than we had expected and our only option was to sell."

The disposal, combined with diversification into new product areas—chiefly into architectural glass—and sustained demand for established products, boosted sales last year.

Turnover rose by 25.9 per cent to £8.08m. Earnings per share increased from 0.2p to 9.4p. The directors recommend a final dividend of 4p a share, producing a total of 5p compared to 1p last year.

Thermax's share price—which has risen recently on speculation that Suter, the manufacturing and distribution group, is considering mounting a bid—increased by 6p to 137p yesterday.

The company is involved in an active capital expenditure programme. It has invested in a new specialised furnace facility and plans to diversify into new areas such as the manufacture of aluminium frames and double glazing.

In order to facilitate acquisitions, the board has signalled its intention to apply to the London Stock Exchange for permission to graduate from the USM to the main market.

"We are keen to expand into allied areas," said Mr Westenholz. "A quotation on the main market will give us much more flexibility for acquisitions."

United Spring expansion plan

BY PHILIP COGGAN

United Spring & Steel Group yesterday announced conditional agreement to buy Turbo Tools (Hull) for £1.5m via a complicated deal which contains elements of both a rights issue and a vendor placing. It also forecast profits for the year to September 30 of not less than £1.4m, of which around £1m will be contributed by the existing group.

The acquisition will be paid for by the issue of 2.45m new ordinary United shares, of which the vendors will retain 1.2m. The remaining 1.25m shares will be placed on their behalf by Alexanders Laing & Cruickshank. At the same time, United Spring will issue 1.46m new shares at 60p each in order to net £715,000 for use in future acquisitions and as working capital.

These 1.46m shares will be added to the 1.25m shares under the vendor placing and offered to existing United Spring shareholders on a one-for-five basis. In all, 3.91m new shares will be issued, representing around *30 per cent of the* existing share capital.

A Further consideration of up to £2.25m will be payable to Turbo's vendors, dependent upon future profits performance. Turbo made profits before tax and directors emoluments of £509,531 in the year to September 30. It makes, designs and manufactures process machinery for the baking industry.

The reason for the unusual structure of the deal is to ensure that the purchase meets merger accounting principles, which require that at least 90 per cent of the cost are met by a share issue. Under merger accounting, goodwill can be written off through the share premium account rather than through the profit and loss.

United Spring's chairman, Mr Fenwick-Smith and two major investors Britannic Assurance and the M & G Recovery Fund have indicated their willingness to take up their rights under the offer. *Combined, their entitlements* represent just under 34 per cent of the rights shares. The issue will be underwritten by Alexandos Laing and Cruickshank.

As well as its pre-tax profits forecast of £1.4m (compared with £652,000 in 1985), United Spring forecasts that earnings per share would be not less than 5.47p. That compares with 4.18p in 1985, after an adjustment to include Turbo. The board intends to recommend a final dividend of 1.5p, making 2p in total, 33 per cent up on 1985. The shares were down 2p at 67p.

BARINGS profits for the first half of 1986 were significantly higher than the equivalent figures last time of Baring *Brothers and Co, the directors* stated. Operating conditions were generally favourable and each of the principal components of the group produced improved results.

COMPANY NEWS IN BRIEF

GOLDSMITHS GROUP—Swinton Insurance Services has purchased a further 150,000 shares in Goldsmiths bringing its total to 1.18m (12.3 per cent).

ISIS GROUP, construction, distribution and engineering, reported record pre-tax profits of £2.76m (£1.36m) for the year to March 31 1986. Turnover of this unquoted company — its shares are traded on the market formed by Granville and Co— increased by 51.8 per cent from £56.43m to £85.56m. The final *dividend is increased from 5.5p* to 7p net for a total of 13p (10.5p). Stated earnings per share improved by 4p to 17.4p.

DEREK BRYANT Group has been notified that Harvard Securities has acquired on behalf of itself and non-discretionary clients, a total of 128,000 Bryant ordinary (5.2 per cent).

BOARD MEETINGS

TODAY

Interims: James Beattie, Brammer, Evans Halshaw, Exco International, Hyman, EMI, Norank Systems, Ropner, Sharpe and Fisher, Stat-Plus, Western Motor, Wickes.

Finals: Clarke Hooper, Minerals Oils and Resources Shares Fund, Palmerston Investment Trust, Sime Darby.

FUTURE DATES

Interims:

Allied Irish Banks	Nov 12
BTR	Sept 10
Bank Leumi (UK)	Sept 12
Barham	Sept 8
Burmah Oil	Sept 11
Fitch and Co (Design Cons...	Sept 9
Friendly Hotels	Sept 8
Hawley	Sept 9
Hollis	Sept 5
Persimmon	Sept 5
Reabrook	Sept 5
Reckitt and Colman	Sept 17
Rio Tinto-Zinc	Sept 17

Finals:

Central and Sheerwood	Sept 10
Copson (F.)	Sept 8
London Shop Property Trust...	Sept 11
New C Witwatersrand Areas	Oct 9
Process Systems	Sept 29
Scholes (George H.)	Sept 17

UK COMPANY NEWS

Goodhead Print up 34% and cash call planned

BY PHILIP COGGAN

Goodhead Print Group, which came to the USM in June 1985, yesterday announced pre-tax profits up nearly 34 per cent for the year to May 31, along with plans for a rights issue in the form of convertible preference shares.

The proceeds of the rights will be used to pay off the short-term borrowings incurred as part of the £3.34m cost of buying 10 free newspaper titles from the receiver in May. Details of the issue will be released later this week.

The acquisition came late in the financial year and so had little effect on Goodhead's results but the company expects the newspapers to make a substantial contribution to group profit in the current year.

All three divisions (printing, publishing and paper merchanting) showed increased profits despite the costs of installation of new machines at two printing plants.

Pre-tax profit was £1.2m, up from £896,000 in 1985, on turnover up 14 per cent to £24.1m from £21.1m.

After tax of £264,000 (£199,000 in 1985) and extraordinary items of £25,000, earnings per share were up 34 per cent to 10.2p from 7.6p.

Mr Colin Rosser, chairman, said that the company would continue to investigate further acquisitions. "The current year has started well and directors are highly confident of producing a significant improvement in profits and earnings per share," he said.

The final dividend will be 2p per share, making 3p in total, matching the forecast at the time of the USM listing.

● comment

Goodhead is intent on a change of image. No longer does it want to be known as merely the printer of small papers like Arthritis News. Instead, it aims to be a major printing and publishing group with the latter forming 25 per cent of group turnover. That change of image could see a switch from the USM to the main market in the next year; it may also mean further purchases of freesheets like the 10 just bought from the receiver. The success of the strategy will depend on whether there is still life in the free newspaper boom. Opinion is divided on whether the rash of new papers indicates the vitality of the market or presages a shake out. These figures do show that Goodhead's core businesses remain profitable whatever the results of the free newspaper foray. Assuming pre-tax profits of £1.7m this year the shares up 5p at 120p are on an undemanding p/e of 9.

Macfarlane ahead and record year in sight

WITH most of its companies making good progress in the first six months of 1986 the Macfarlane Group (Clansman) was able to lift its profits for the period to £1.91m, an improvement of 9 per cent over last time's £1.75m.

The year started strongly but a slowing down of activity in many parts of the country in the second quarter was reflected in the results.

However, June was a record month for the group, engaged in packaging and printing, and the directors said yesterday that the present trend of business should ensure that the full year results show an improvement over 1985's record £4.02m.

Meanwhile, the interim dividend is being stepped up from 1.012p to 1.113p net from earnings of 3.93p (3.36p) per 25p share.

Group turnover for the half year improved from £23.61m to £26.24m. Tax took £693,000 (£723,000) and left net profits at £1.22m, compared with a previous £1.03m.

Macfarlane recently purchased the Pneumatic Rubber Stamp Company and John Meerloo & Sons, both of London. The directors said that under the MBF umbrella these companies would form the new marking products division which "showed great promise for the future."

Daniel Montgomery, which manufactures bottle closures for the whisky sector, and its associate, ACW of Aberdeen, found trading conditions difficult but should produce improved results in the second half.

Smith Brothers, of Kilmarnock, the whisky label printer, and N. S. Macfarlane (Furniture), of Glasgow, produced disappointing results

The directors said that although trading conditions for the group were at present uncertain and looked likely to remain so in the foreseeable future, they believed the continued investment programme in buildings, plant and equipment combined with the strength of the management would ensure Macfarlane's continued progress.

Flogas profits near I£3m

Flogas, based in Co Louth, Republic of Ireland, continued to progress over the second six months and for the 1985-86 year as a whole lifted its profits from I£1.84m to I£2.81m (£2.54m) at the pre-tax level.

At present, the directors are budgeting for growth in volumes and profits both in Ireland and the UK.

Turnover for the past year (to May 31 1986) improved from £18.54m to £20.54m—the USM group imports and distributes liquefied petroleum gas.

After tax of £324,266 (credit £130,720) earnings worked through at 14.14p (11.27p) and a final dividend of 2.128p (1.59p) makes a total of 3.4p (2.65p) net per 10p share.

SEKERS INTERNATIONAL AGM told that management accounts for the first four months led directors to be confident that results for half year would be ahead last year. Outlook for the rest of the year was promising.

Church hit by weather and tourism fall-off

Church & Co, Northampton-based manufacturer and retailer of quality shoes, yesterday blamed an indifferent spring and a fall-off in tourists in London for a static first six months.

Turnover for the half year to June 30 1986 edged ahead from £25.75m to £26.34m, but at the pre-tax level profits fell £39,000 to £1.69m.

Trading in the US, although patchy, was satisfactory but Canada and France had an exceptionally good six months.

Currently, group factories are still mainly busy but are not receiving the exceptionally high levels of orders experienced in 1985.

Retail trading in the UK has now improved and sales in July and August were good in the US and Canada. The directors said that dependent on exchange rates and a continuance of reasonable trading, profits for the full year should be similar to 1985's £4.39m.

Earnings for the half year amounted to 9.9p (9.8p) after tax of £645,000 (£699,000).

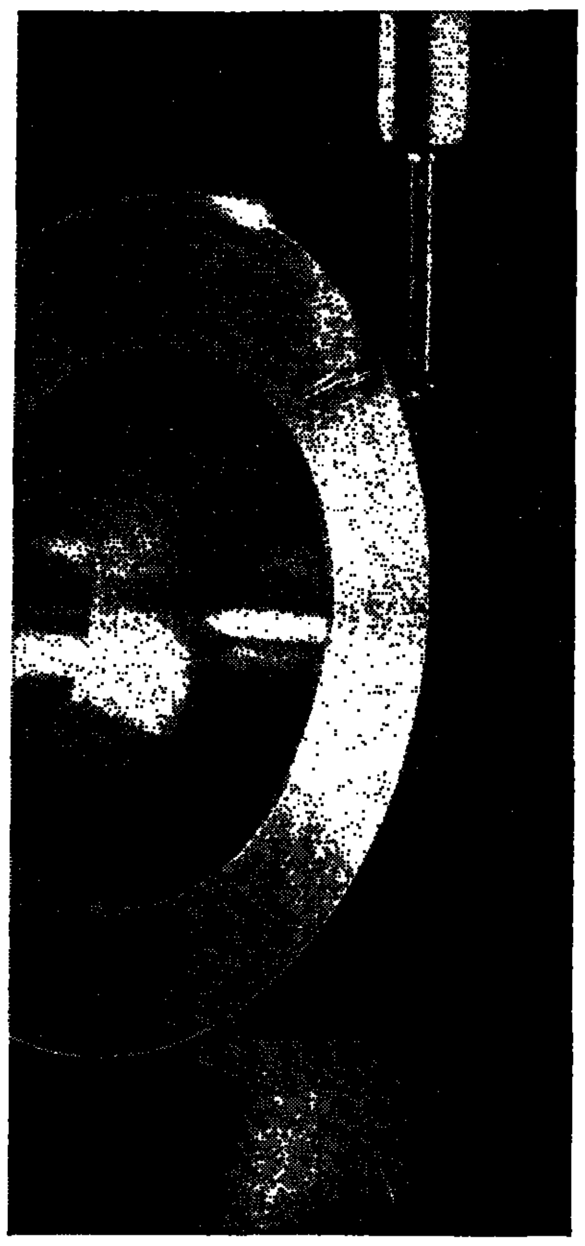
The interim dividend is a same-again 2.5p net.

Richards (Leics)

RICHARDS (LEICESTER), structural and mechanical engineer and ironfounder, reports pre-tax profits static at £143,000 for the 27 weeks ended July 6 1986, compared with £144,000. The interim dividend is 1.6p (1p), and after tax of £20,000 (£23,000) earnings were 6.15p (6.05p).

IPECO has acquired Marcon for US$1.25m (£839,000) cash, which is approximately equivalent to the commission that would otherwise have been due to Marcon in respect of existing orders. Marcon provides marketing and product support services for Ipeco's aircraft crew seats in the US.

See Us at Farnborough North Hall NA16



LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	181	165	Acatos & Hutcheson 50p	181	+1	bd5.25	2.9	4.1	12.1
§115	F.P.	22/8	164	128	‡Anglia Sec Homes 10p	164	......	R1.63	5.0	1.4	20.2
§115	F.P.	22/8	125	118	‡Atlas Conv'ting Equ 5p	123	......	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	......	L1.0	4.2	2.1	16.3
¶¶	F.P.	—	318	280	BTR Nylex A$0.50	308	+3	Q15c	2.7	2.1	17.7
¶¶	F.P.	—	53	41	Bertrams Inv. Tst	43	......	—	—	—	—
100	F.P.	4/9	85	84	Child Med C.I TE1‡‡	85	......	—	—	—	—
††	F.P.	—	100	48	Clayform Warrants	52	+2	—	—	—	—
§110	F.P.	12/9	124	111	‡Coline Int 5p	121	......	R2.7	3.4	3.1	13.3
134	F.P.	—	161	134	‡F & H Group 10p	161	+1	L4.76	2.5	4.2	13.3
210	F.P.	—	210	191	G. T. Management 1p	206	−1	R3.0	3.4	2.1	17.3
150	F.P.	25/7	168	150	Guthrie Corp	167	−1	u5.3	2.2	4.5	10.7
150	F.P.	15/8	165	156	Harrison Inds. 10p	163	......	g5.0	2.7	4.3	12.2
§92	F.P.	28/8	95	87	‡Hillis Ergonom 10p	90	......	L2.0	3.1	3.1	12.4
105.25	F.P.	—	106	104	India Fund £1	104	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£38½	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	95	......	R3.13	3.0	4.6	9.1
§33	F.P.	29/8	34	27	‡Omnitech 1p	30	+2	—	—	—	—
§120	F.P.	29/8	120	107	‡Personal Comps. 5p	107	−3	R3.0	3.3	3.9	10.9
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
§110	F.P.	28/8	125	119	Stanley Leisure	120	......	u3.25	2.8	3.8	13.2
145	Nil	—	16pm	11pm	Sutcliffe Speak Ut†	16pm	+1	—	—	—	—
130	F.P.	21/8	161	137	‡TV-am 10p	161	+1	R5.75	2.6	5.0	10.8
¶¶	F.P.	—	163	152	VSEL Consortium £1	163	+1	W5.68	4.3	4.9	5.1
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	95	......	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
**	F.P.	—	155	135	Authority Invs. 8% Cnv. Uns. Ln. 2006-11	145	......
£100	£10	29/10	10¼	9½	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	10¼	......
‖	Nil	—	3pm	2pm	Egerton Tst 7% Cv Cm Red Pf	2pm	......
99.360	F.P.	24/10	101	99½	Elect & Gen. Inv. 10¼% Deb. 2011	100	+½
¶¶	F.P.	—	92	86	Hollis 25% Sab. Ln. 1988 2½p.	92	......
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	27½	......
105.523	F.P.	21/8	106½	98½	Land Securities 10% 1st. Mort. Deb.25	101⅞	+⅛
§99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln. 2021	25¼	......
—	F.P.	—	100½	100	Do 10¼% 17/8/87	100⅛	......
—	F.P.	—	100⅛	100⅜	Do 9¾% 7/9/87	100⅞	......
‖	Nil	16/9	105	101½	Rea Bros. Group 8.6% Cum. Cnv. Prf.	104	......
‖	F.P.	30/9	106p	100p	Scantronic 5.75% Cnv. Cum. Red. Prf.	104p	−1
‖	F.P.	16/9	103p	101p	Stewart Ent. 6¼% Cum. Cnv. Red. Prf.	101p	......
‖	F.P.	11/9	105	95	Utd Leasing 9½% Cnv. Sub Uns Ln '98–2001	98	+3
¶¶	F.P.	—	102	96½	VSEL Cons.11% Uns. Ln. 1996	97½	+1
—	F.P.	—	119p	107p	Wight C'ns Co. Cm. Rd. Prf. 1999 10p	119p	+2

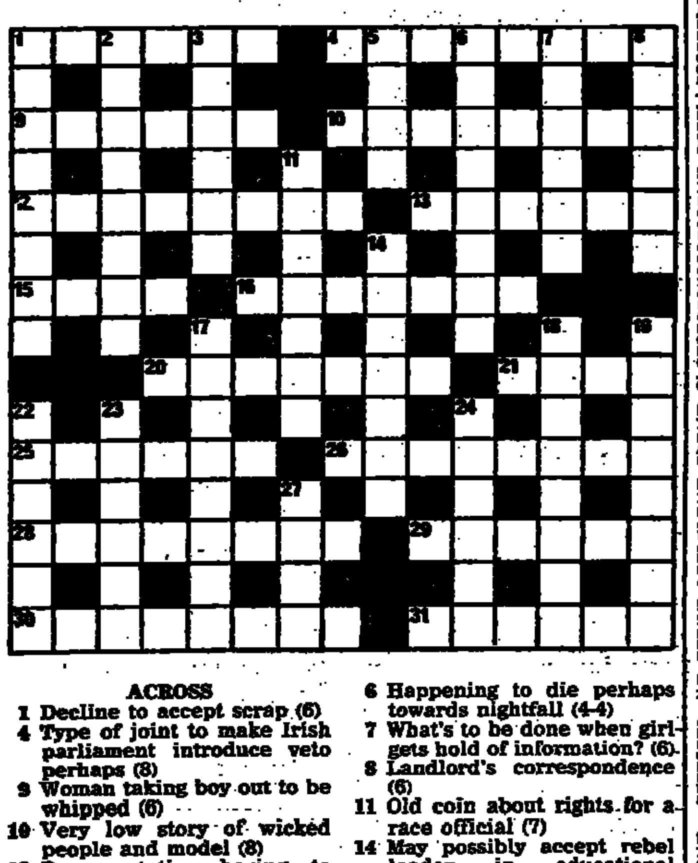
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
f12.50	Nil	—	350pm	350pm	Algemene Bank F100	350pm	......
146	Nil	—	22pm	18pm	Allied Irish Banks	18pm	......
2	Nil	10/10	3½pm	1½pm	Assoc. Brit. Eng. 1p	2pm	−½
190	Nil	—	15pm	6pm	BBA Group	10pm	+3
39	F.P.	10/10	42	40½	Blackwood Hodge	42	......
138	Nil	—	6pm	2pm	Brown & Tawse	6pm	+2
5	Nil	22/9	38pm	24pm	‡Cityvision 5p	27pm	......
276	Nil	—	30pm	25pm	FII Group	25pm	......
34	Nil	6/10	5pm	3pm	Forward Tech	5pm	......
450	Nil	—	40pm	33pm	Marler Estates	40pm	+2
30	Nil	—	20pm	20pm	‡Mexicom Intl. 10p	20pm	......
315	Nil	—	21pm	18pm	Sedgwick Group 10p	21pm	......
390	Nil	3/10	117pm	105pm	WPP Group 10p	115pm	+5

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

FT CROSSWORD PUZZLE No. 6114

PROTEUS



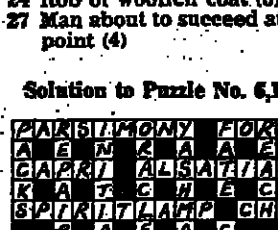
ACROSS

1 Decline to accept scrap (6)
4 Type of joint to make Irish parliament introduce veto perhaps (8)
9 Woman taking boy out to be whipped (6)
10 Very low story of wicked people and model (8)
12 Representative having to shed some duties (8)
13 Set out holding dog sick through heavy meal (6)
15 Runs off with tea-makers (4)
16 Material fabulous bird ordered to be brought round (7)
20 Threatens to finish taking children out (7)
21 Actor with a pedigree (4)
25 Assert that supporter is in drink (6)
26 Bird with least possible rivals (8)
28 Supplanted traveller doctored the drinks (8)
29 Superficial show never perhaps without point (6)
30 Was first to bring in summer hose with runs in? (8)
31 Let out meadows to journalist (6)

DOWN

1 Rude lout ordered to be excluded (5,3)
2 Where speed-merchants may be last out in temple (4,4)
3 Hammer given to novice in plant (6)
5 Some stop altogether on finding stone (4)
6 Happening to die perhaps towards nightfall (4-4)
7 What's to be done when girl gets hold of information? (6)
8 Landlord's correspondence (6)
11 Old coin about rights for a race official (7)
14 May possibly accept rebel leader in educational establishment (7)
17 Leave home to live with German leader in Middle East state? (8)
18 Squanders food (8)
19 Considered certain in the field (8)
22 It may hold liquor or projectile (6)
23 One having to plead desperately to bat for example (6)
24 Rob of woollen coat (6)
27 Man about to succeed at this point (4)

Solution to Puzzle No. 6,113



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.4	19.8		0.15
Pacific Basin	14.4	15.4		0.2
Canadian Balanced Growth	57.9	61.9		0.96
Gmney Mar.	101.6	105.8		7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.2	58.9	+0.4	1.50
British Growth (z)	67.3	69.5	-0.4	2.00
British Income (z)	66.9	68.9	+0.2	5.00
British Extra Yield(z)	51.6	53.3	----	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	47.8	48.9	-0.1	0.00
U.S. Govmnt Bond F	551.3	51.8	+0.3	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comthl & Equity Tst	49.2	52.4	+0.3	7.56
Growth Trust	52.1	55.5	+0.4	2.25
Income Trust	53.3	56.8	+0.2	5.14

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.7	72.5	----	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	125.3	138.4	+0.5	3.31

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8	—	109.1	----	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.9	217.8	----	—
Equity Ser. 1	103.9	109.4	+0.8	—
Prop. Acc. Ser 2	278.5	293.2	----	—
Equity Ser 2	113.0	119.0	+1.0	—
Selective Acc.	240.5	253.2	+0.9	—
Prop. Ser. 4	219.8	231.4	----	—
Equity Ser. 4	116.0	122.2	+0.9	—
Fixed Int. Ser. 4	191.6	201.7	+0.1	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	102.0	108.0		—
Risk & Reward Bond	119.0	126.0		—
Murray Johnstone Fd	121.0	128.0		—
Money Market Fd	101.0	107.0	+1.0	—
Ivory & Sime Pen. Fd.	104.0	110.0	+3.0	—
Risk & Reward Pens Fd.	101.0	107.0	----	—
Murray J'stone Pens Fd.	118.0	125.0	----	—
Money Market Pens Fd	100.0	106.0	----	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	113.0	119.0	(z)	—
Money Fund	221.5	233.2	(z)	—
Managed Fund	409.6	431.2	(z)	—
Equity Fund	252.8	266.2	(z)	—
Fixed Interest Fund	150.7	158.7	(z)	—
Far East Fund	215.1	226.5	(z)	—
North American Fund	177.6	187.0	(z)	—
Natural Resources Fund	132.5	139.5	(z)	—
Pension Managed Fund	380.5	400.6	(z)	—
Pension Equity Fund	239.9	252.6	(z)	—
Adventurous Mngd Fd	109.8	115.6	(z)	—
Balanced Mngd Fd	105.8	111.4	(z)	—
Conservative Mngd Fd	105.8	111.4	(z)	—
European Fund	104.2	109.7	(z)	—
International Fund	104.7	110.3	(z)	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	136.2	143.4	+0.4	—
Equity	153.5	161.0	+0.4	—
Property	108.5	114.3	+0.1	—
Gilt & Fixed Interest	117.4	123.6	----	—
Indexed Securities	101.1	106.5	----	—
Cash	107.2	112.9	----	—
North American	109.6	115.4	-1.0	—
Far East	135.5	142.6	+0.9	—
International	127.8	134.6	+0.2	—
Special Situations	147.9	155.7	+0.7	—
International Income	142.0	149.5	-0.4	—
American Income	118.1	124.4	-1.2	—
European	154.3	159.9	+0.7	—

Flexible Retirement Plan				
Mixed	140.9	148.4	+0.8	—
Equity	148.7	156.6	+0.3	—
Property	112.8	118.8	+0.1	—
Gilt & Fixed Interest	124.1	130.7	+0.1	—
Indexed Linked	104.4	109.9	----	—
Cash	115.1	121.2	+0.1	—
North American	115.4	121.5	-1.4	—

Equitable Life Ass Soc—Contd

Pension Funds				
Far Eastern	171.5	180.5	+4.4	—
Fd. of Inv. Tsts	131.4	138.8	+1.4	—
Gilt & Fixed Int	122.8	129.3	+0.2	—
High Income	170.7	179.7	+1.3	—
International Growth	105.6	111.2	+0.6	—
Managed	139.8	147.2	+0.7	—
Money	114.4	120.4	+0.1	—
North American	124.8	131.4	-0.4	—
Pelican	152.1	160.1	+1.4	—
Property	105.5	111.0	----	—
Special Sit.	156.9	165.2	+1.2	—

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	456.1	480.0	+4.3	—
Higher Inc. Fund	413.6	435.3	+3.9	—
Property Fund	260.6	274.3	----	—
Fixed Interest Fund	239.1	251.6	(z)	—
Index Lnkd Secs Fund	107.3	112.9	----	—
Gtd. Deposit Fund	174.2	183.3	----	—
Nth. American Fund	257.6	280.1	-1.4	—
Far East Fund	276.8	291.3	+2.7	—
Europe Fund	226.1	238.0	+2.4	—
International Fund	283.3	298.2	+1.0	—
Mixed Fund	343.5	361.6	(z)	—
Ind. Pen. Equity (z)	523.8	551.3	+4.1	—
Ind. Pen. High Inc.(z)	119.1	125.3	+1.1	—
Ind. Pen. Fxd Int. (z)	265.0	278.9	-1.0	—
Ind. Pen.Idx Lk Sec.(z)	129.2	135.9	----	—
Ind. Pen. Property (z)	207.4	218.3	----	—
Ind Pen N America (z)	102.5	107.8	+0.1	—
Ind Pen Far East (z)	149.4	157.2	+0.2	—
Ind Pen European (z)	125.1	131.6	+0.2	—
Ind. Pen. Overseas (z)	511.0	537.8	-0.2	—
Ind. Pen. Balanced (z)	366.9	386.2	+0.6	—
Ind. Pen. Cash (z)	206.0	216.8	----	—
Ind Pen DAF Ser 2(z)	114.5	120.5	----	—
Ind Pen DAF Ser 1(z)	219.0	230.5	----	—

Prices are Series 2; Series 1 available on request
Group Pension Funds—Prices available on request

Family Assurance Society
19 New Rd, Brighton BN1 1WS 0273 724570

Family A. Managed	370.8	378.4	----	—
Family B. Managed	220.0	224.5	----	—
Family C. Brit.	196.4	200.4	----	—
Family D. Fixed Int.	196.8	200.8	----	—

Hill Samuel Life Assur. Ltd
NLA Tower, Addiscombe Rd, Croydon 01-686 4355

M & G Group
Three Quays, Tower Hill, EC3R 6BQ 01-626 4588

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

NPI Pensions Management Ltd
Prices September 1. Next dealing October 1.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 693986

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INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$19.30			—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.88			—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.30			—
Dynamic Gwth Fd	$19.89			—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.10	12.90		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.65		+0.05	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.80	7.35	10.65	6mth
7-day Fnd	9.76	7.34	10.71	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.81	7.33	10.51	6-Mth
7-day Fund	9.64	7.21	10.34	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	9.25	6.80	9.62	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Inc. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.84	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.50	6.95	10.11	Mth

NOTES

...% (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	26
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Mixed signals as Opec cuts come into force

BY LUCY KELLAWAY

A MASS of contradictory information emerged from oil producing countries yesterday as Opec embarked on its first day of production cuts, due to last for two months and to reduce output by about 3m barrels a day.

With New York on holiday, and trading in London very quiet, oil prices showed no reaction, and Brent crude was almost unchanged at $14.30 a barrel.

As the special unit designed to monitor members' output went to work yesterday, Kuwait confirmed that it had cut output by nearly 50 per cent to 900,000 barrels a day, in accordance with its new quota.

However, the willingness of the United Arab Emirates to stick to its quota seemed open to doubt yesterday as Abu Dhabi's National Oil Company was reported to have agreed to meet in full its planned September deliveries to Japanese clients, making it likely to exceed its share of the total UEA quota of 950,000 barrels a day.

Meanwhile Saudi Arabia is likely to be able to stick to its ceiling of 4.4m barrels without having to dictate reductions to its clients, many of whom have agreed to shipment reductions, according to the Middle East Economic Survey (MEES).

Saudi Arabia's cuts follow a surge in production at the end of August, when output is estimated to have risen to as much as 7.4m to 7.7m barrels a day. The average for the month is thought to be about 6m barrels a day, 400,000 more than the July average.

Iranian production fell sharply last week as a result of the Iraqi attack on the Sirri Island terminal and severe rain storms. According to MEES, Iranian output last week fell from about 1.6m barrels a day to about 500,000.

Non-Opec members also announced sympathetic cuts in production yesterday. Oman plans to reduce output by about 50,000 barrels a day to 550,000, while China has said it will shave a similar amount from its exports of around 700,000 barrels.

Norway, which has yet to take a firm decision on whether to co-operate with Opec, yesterday started discussions with oil companies on how cuts can best be implemented. An announcements is expected later this week.

US sets soya price at minimum

BY NANCY DUNNE IN WASHINGTON

THE US Department of Agriculture, in a bid to spur farm exports, has dropped the Government loan rate for 1986 crop soyabeans to $4.77 per bushel, the lowest level permitted by law.

Mr Peter Myers, acting Secretary of Agriculture, said the basic loan rates is set by law at not less than $5.02 per bushel but the Department has discretionary authority, which it is using, to lower the loan rate up to an additional 5 per cent in order to maintain competitiveness.

The loan rate essentially sets a price floor for American farm commodities, because if prices fall any lower then farmers turn their produce over to the Government.

With its new low price, the US is sending "a signal to the world that we will be more competitive," Mr Myers said.

The Department has already dropped wheat and maize prices to the lowest point permitted under loan. Wheat prices were slashed on June 1 from $3.30 a bushel to $2.40 a bushel. Yesterday the floor price for maize was dropped from $2.55 per bushel to $2.40 a bushel. Yesterday the floor price for maise was dropped from $2.55 per bushel to $1.92.

USDA officials resisted pleas from farmer groups for a loan rate of no less than $4.98 a bushel, but they had already set a precedent by dropping the other price floors as low as possible. Agricultural organisations also pushed for approval of one of the various types of subsidies permitted under the 1985 Food Security Act (Farm Bill). However, the farm programme is already costing billions of dollars more than had been expected.

The USDA released a report on Friday forecasting slightly improved prospects for world wheat ond coarse grain trade. The outlook for 1985-86 trade is 182m tonnes, up nearly 14m tonnes from last month's forecast, the Department said. It attributed the gain to: higher than originally forecast USSR grain imports, sharply lower EEC wheat and coarse grain prospects as a result of drought, lower crop and export prospects for Australian barley, and a decline in the EEC wheat export forecasts as a result of US competition and larger supplies.

The Department also offered to sweeten its proposed subsidy on 3.85m tones of wheat to the Soviet Union. It had originally offered a $13 a tonne subsidy, under the Export Enhancement Programme, but the Soviets haven't taken the bait.

On Friday the Department said the offer to $15 a tonne. Traders have insisted that subsidies of between $20 and $27 would be needed to make US wheat competitive.

Increase in British wool exports

By Our Commodities Staff

EXPORTS OF British Wool rose by 3m kg last year to more than 28m kg, accounting for 68 per cent of total production, according to the British Wool Marketing Board's annual report.

But the weakness of the US, Australian and New Zealand dollars and the South African rand resulted in lower prices and support from the Board's stabilisation fund was needed to bring payments to producers up to 101.52p a kg, 54p below the target level.

For the 1986 season the Government guarantee has been maintained at 129p a kg which, after allowing for marketing and administration costs, translates into a target payment of 99.06p a kg (including storage premium), 2.46p less than actually paid for 1985.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)
(tonnes)

Aluminium	+3,775 to 131,325
Copper	+525 to 157,350
Lead	−1,150 to 39,775
Nickel	−228 to 7,740
Tin	−200 to 47,515
Zinc	+925 to 25,975
(ounces)	
Silver	−550,000 to 26,946,000

Brazil halts exports of orange juice

BY ANN CHARTERS IN SAO PAULO

CACEX, Brazil's foreign trade agency has temporarily suspended export permits for orange juice until growers and processors reach agreement on prices for the coming crop. Cacex said it did not expect the suspension to last beyond next week.

The decision to suspend exports came from Mr Joao Sayad, the Minister of Planning, while representatives for the producers and industries met again last Friday to review industry offers and growers' demands. The move came as a surprise to the sector as just 10 days ago, the Government had reaffirmed that the industry had to settle its differences without Government interference.

The suspension is apparently intended to put pressure on processors which currently hold stocks of orange juice concentrates estimated at between 200,000 to 220,000 tonnes, from the last harvest.

However, in the opinion of Abrassucos, an industry association, the measure works against Government's desire to boost exports in the coming months.

Cacex freed exports of juice last March in an effort to enable the industry to reduce stocks and prepare for this year's crop. The harvest, delayed due to a drought last year which retarded flowering, is about to begin for the varieties used for concentrate.

Meetings held last week brought the two sides no closer to agreement and no new meeting are scheduled. The manufacturers' associations claim that they have signed individual buying agreements with growers that now cover 60 per cent of a crop expected to reach 170m boxes. The growers' association disputes this claim.

The processors have offered three options to the growers in an attempt to link prices paid domestically for the fruit to international prices for juice. Growers can opt for a guaranteed price of CZ14 (about US$1) per box, or can receive payment with 50 per cent or 100 per cent participation in price fluctuations for orange juice as quoted on the New York Exchange.

According to Anic, another industry association, 30 per cent of the growers who have agreed on prices with the industry have opted to take some measure of risk and link their income to international prices.

Brazil exported orange juice concentrates worth $344m in the first six months of the year.

Indian tea sales down sharply

By P. C. Mahanti in Calcutta and Andrew Gowers in London

INDIA'S TEA exports declined sharply in the first six months of this year from the same period in 1985, partly as a result of a fall-off in Soviet purchases.

According to the Indian Tea Board, export licences for only 64m kg were issued between January and June, compared with 78m in the year-ago period. The Soviet Union, which has emerged as the biggest buyer of Indian tea, purchased just under 28m kg against 39m in the first six months of 1985. The Soviets took 103m kg out of total exports of 222m kg in the whole of last year.

The drop in foreign sales by the world's largest producer, consumer and exporter of tea comes against the background of an expected reduction in the 1986 crop, particularly in the north of the country following dry growing conditions earlier in the year.

But although international auction prices have been rising in recent weeks, prices in London, for example, remain lower than those in India itself—much to the annoyance of the Indion trade.

The Tea Exporters' Association, representing merchant exporters, has suggested that Indian tea shipments to London auctions should be suspended until London prices come up to the average level in India. The Government has ignored this suggestion, but is worried that despite a substantial increase in subsidies, Indian packet tea and tea bag exports are appreciably below last year's levels.

Tea brokers in London described talk of a suspension of shipments as "alarmist." It is not clear what the precise 1986 crop figure will be, and London auction prices should start moving up substantially when North Indian teas arrive in the market from next week, they said.

Meeting begins on cocoa pact details

LEADING PRODUCERS and consumers yesterday began a two-week meeting at the International Cocoa Organisation (ICCO) in London, to put finishing touches to a new international cocoa agreement, reports Reuter.

Delegates from some 60 countries agreed in July on a draft accord aimed at stabilising the world cocoa market and containing semi-automatic measures to adjust support levels. The new deal, which includes the world's biggest producer, the Ivory Coast, was hurriedly hammered out less than two months before the existing agreement was due to expire. Ivory Coast has not taken part in the current deal, which expires on September 30.

As insufficient member countries are likely to have ratified the new deal by the end of the month the main problem facing delegates will be finding a way of extending the present accord for an interim period.

The 1980 pact has already been extended twice and cannot be extended again so the ICCO will have to find a legal way round the problem.

Another stumbling block is payment of levies, currently at $45 per tonne, to pay for the existing agreement's buffer stock, delegates said.

The grain levy merry-go-round

FARMER'S VIEWPOINT

By John Cherrington

I AM what is called, in technical terms, a farmer processor. That is, I feed my livestock on grain which I mill myself, rather than purchasing it from a merchant or a compounder. If my own grain is suitable for malting or flour-milling and thus secures a premium over the basic feed price, I sell it and buy in cheaper supplies.

But now, true to form, the EEC has come in with one which is infinitely more complicated.

It is to do with the co-responsibility levy imposed at the last price review to try to halt the increase of cereal surpluses. The levy is 3 per cent and for the sake of simplicity has been set in Britain at £3.43 per tonne on every sale off the farm. Because many farmers are in my situation, the authorities realise that it would be difficult, if not impossible, to secure accurate figures for levying home-grown grain. So I am exempt from paying the levy on the grain I use in my own plant. This includes grain purchased either from other farmers directly or through a merchant.

As a farm processor I have registered with the Intervention Board, both to provide material for the Board to monitor the market and to establish my bona fides, should I buy grain and deduct the levy from the invoice total. If I were a compounder selling the processed feed I would, under the present circumstances, take the amount of the levy from the invoiced price of grain and send it to the Intervention Board. But, as a farmer buyer exempt from the levy, it would be up to me to demand that the levy should be taken off the price invoiced to me.

This is simple enough. You simply knock it off the bill. But what happens then? Am I supposed to send the money back to the merchant for him to send on to the original vendor? Parcels of grain are often switched through several different hands in the course of trading, and, while the first seller, the farmer, that is, would have had the levy deducted, how would he be able to find out that the grain had been sold to a farmer at some three or four removes, so that he could have the levy refunded?

The exemption for farm processors was instituted for the benefit of small farmers on the Continent, from whom it would have been impossible to collect evidence. But in Britain there are very many large farm processors and the scope for the avoidance of the levy would be such that its effectiveness as a means of controlling the cereal surplus would be seriously impaired.

This would be further aggravated if, as many believe, the levey will have to be increased to have any effect at all on the production. The UK Agricultural Supply Trade Association, representing the merchants, has suggested that the levy would have to be fixed at at least £10 per tonne, to be at all effective, which would provide a stimulus for more and more farmers to process grain for themselves to cheapen the cost of their compound fee. To avoid confusion and quarrels, the bulk of farmers would do their best to avoid traders altogether and deal between themselves. This could lead to agencies being set up to introduce buyers and sellers. The agent would not trade on his own behalf, so no possession would be involved, and even less would be available for levying.

Another grey area is grain which is sold for seed. This at present is not leviable. But when cleaning up, grain for seed has to have the substandard grain removed. These screenings, as they are called, are sold to the feed-processing industry or to farmers. But they are now considered leviable. But, if they are sold to farmers, will the original grower get his share of the non-payment of levy on that proportion, or will it be the seed trader, who grows no crops himself?

The general confusion around the levy is such that it is very doubtful if the amount finally handed over will do anything to reduce the high cost of exporting. Still less will it persuade farmers to grow less grain. Indeed, should the levy be fixed substantially higher, more farmers might be persuaded to plant cereals and save on the cost of purchased compounds.

Coincidental to this, it must be reported that the market for UK harvest cereals is quite strong, a good deal higher than was being proposed a couple of months ago. This is a freak consequence of the European drought of which the true extent has not yet been finally assessed. It does seem that most European grain crops have much reduced yields and some member countries, like Spain, will have to be substantial importers of both feed grain and malting barley will be in demand in most of Europe.

So at first sight, it looks as though the UK market this year could balance itself out. But harvest is still a long way from being finished, and it must be said that yields in many cases are really quite good, with high quality and good specific weights, which should make for a good export trade and so relieve the pressure.

This will probably reduce the demand for EEC funds, and lead people to think the cereal problems have been solved. But don't believe it. The overall trend is for increasing production worldwide and control of cereal surpluses is bound to need firmer measures.

LONDON MARKETS

THE RECENT advance of the coffee market picked up pace again yesterday with the November position on the London futures market, which gained £95 last week, surging up another £114.50 to £2,382 a tonne, the highest second position close since April 3. With speculative activity in full spate again trading was very active, dealers said, notwithstanding the closure of the New York market for the Labour Day holiday. The reduced projection for the Brazilian crop, released nearly two weeks ago, remains the main fundamental influence but the market's strength has been fuelled by renewed bullish speculation and the transformed appearance of chart patterns resulting from the Brazilian news. Platinum also built on its recent strength, based mainly on concern over the situation in South Africa, which accounts for more than 85 per cent of western world supplies. The London price was fixed at $638 a troy ounce yesterday, adding $11.50 to last week's $41 upsurge.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	775-4	−0.5	775/772
3 months	760-6.5	−4.25	761/760

Official closing (am): Cash 772-2.5 (776-7), three months 760.5-1 (767.5-8), settlement 772.5 (777). Final Kerb close: 760-1.
Turnover: 12,950 tonnes.

COPPER

Grade A	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	876.5-7	+1.25	877/874.5
3 months	892.5-3	+1.5	890/892

Official closing (am): Cash 874.5-5 (876.5-6), three months 891.5-2 (893-4), settlement 875 (876). Final Kerb close: 892.5-3.

Standard			
Cash	848-5.5	−2.25	848/849
3 months	869-71	−1	869/869

Official closing (am): Cash 846-8 (850.2), three months 868-70 (872-4), settlement 848 (852). US Producer prices 60/65 cents per lb.
Total turnover: 11,950 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	272-2.5	+1.75	274.5/272.5
3 months	273.5-4	+1.25	270/273

Official closing (am): Cash 273.5-4 (272.5-3), three months 274.5-5 (273.5-4), settlement 274 (273). Final Kerb close: 273-4.
Turnover: 10,050 tonnes. US Spot: 22.25/24 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	2520-30	−35	
3 months	2568-70	−32.5	2580/2565

Official closing (am): Cash 2530-3 (2555-60), three months 2585-6 (2586-7), settlement 2533 (2560). Final Kerb close: 2555-60.
Turnover: 1110 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close — (13.59) ringgit per kg. Up/down not available.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	575-4.5	+0.5	574/573
3 months	578.5-9	+1.25	583/578

Official closing (am): Cash 573-75 (576-5.5), three months 578-8.5 (578-8.5), settlement 575 (576.5). Final Kerb close: 578-9.
Turnover: 12,800 tonnes. US Prime Western: 44/39.75 cents per lb.

GOLD

Gold rose $5½ an ounce from Friday's close in the London bullion market yesterday to finish at $387½-388. The metal opened at $387¾-388¼, which was also the day's low of $387¼-388. Demand for the metal picked up during the day however as dealers looked towards the $400 level. Trading volume was thin because US spot markets were closed for the Labour Day holiday.

GOLD BULLION (fine ounce)	August 29
Close	[illegible]
Opening	[illegible]
M'n'g fix	[illegible]
Aft'n'n fix	[illegible]

GOLD AND PLATINUM COINS	
Kr'g'rnd	[illegible]
½ Krug	[illegible]
¼ Krug	[illegible]
1/10 Krug	[illegible]
Mapleleaf	[illegible]
Angel	[illegible]
1/10 Angel	[illegible]
New Sov	[illegible]
Old Sov	[illegible]
$20 Eagle	[illegible]
Noble Plat	[illegible]

SILVER

Silver was fixed 0.25p an ounce lower for spot delivery in the London bullion market yesterday at 349.3p. US cent equivalents of the fixing levels were: spot 520.5c, up 3.5c; three-month 527.3c, up 3.65c; six-month 534.85c, up 3.55c; and 12-month 549.35c, up 2.75c. The metal opened at 345-347p (516-518c) and closed at 349-350p (520-522c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	349.30p	−0.25	350p	[illegible]
3 months	357.60p	−0.15	358p	[illegible]
6 months	366.10p	[illegible]		
12 months	383.50p	[illegible]		

LME—Turnover 0 (0) lots of 10,000 oz.
Three months high 358p, low 354p, final kerb 358-9p.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.15p per kg lw (−0.22). GB—Sheep 181.19p per kg est dcw (+7.08). GB—Pigs 76.00p per kg lw (+0.96).

	LIVE CATTLE		LIVE PIGS	
Month	Yday's close	+ or −	Yday's close	+ or −
Sept	98.50	—		
Oct	99.50	−0.20	104.90	−0.10
Nov	99.80	−0.10	106.60	
Jan	98.90			
Feb	98.50	+0.50	98.50	

Cattle sales: 0 (0) lots of 5,000 kg. Pigs sales: 1 (5) lots of 3,250 kg.

INDICES

REUTERS

Aug 29	Aug 28	M'th ago	Year ago
1461.1	1455.1	1460.5	1675.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug 28	Aug 27	M'th ago	Year ago
Spot	118.46	117.98	—	113.75
Fut	120.57	120.65	—	114.47

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Sept. 1 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1170/1190		$1150/1180
Copper			
Cash Grade A	£876.75	+1.25	£886
3 mths	£892.75	+1.5	£905
Gold Troy oz	$391.75	+5.5	$356.25
Lead Cash	£272.25	+1.75	£255.25
3 mths	£273.75	+1.25	£258.75
Nickel			
Free Mkt	171/181c		176/186c
Palladium oz	$144.50	+1.5	$113.95
Platinum oz	$638.00	+11.5	$467.75
Quicksilver†	$135/145		$155/165
Silver troy oz	349.30p	−0.25	354.40p
3 mths	357.60p	−0.15	356.65p
Tin			
free mkt	£3680/720	+20	£3680/10
Tungsten	$55.65		$52.16
Wolfram 22.04lb	$35/46		$42/50
Zinc	£574	+0.5	£552
3 mths	£579	+1.25	£554.75
producers	$840/880		$840
OILS			
Coconut (Phil)	$230z		$240
Palm Malayan	$202.5x		$207.5
Copra (Phil)	$140z		$150
Soyabean (U.S.)	$157	+4	$173
GRAINS			
Barley Fut.Nov.	£107.20	−0.15	£105.50
Maize	£153.00		£137.00
Wheat Fut.Nov.	£107.50	+0.30	£106.20
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1551	+3.5	£1461.5
Coffee Ft. Nov.	£2382	+114.5	£1721
Cotton A Ind.*	38.50c		35.45c
Gas Oil Oct.	$137.5	+1.75	$115
Rubber (kilo)	59.5p		59.5p
Sugar (raw)	$122z	−7	$151
Wooltops 64s	387p kilo	−3	388p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. z Oct. * Cotton outlook. y Nov. x Sept-Oct.

COCOA

After trading within a narrow range futures ended a featureless day marginally steadier. Physical interest was restricted to light consumer inquiry for forward positions while producers were withdrawn at current levels, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Sept.	1490-1494	+5.5	1492-1482
Dec.	1550-1552	+3.5	1555-1538
March	1595-1590	+4.0	1595-1580
May	1609-1610	+1.5	1612-1599
July	1622-1623	+2.0	1625-1616
Sept	1632-1633	+1.5	1635-1625
Dec	1650-1655	+1.0	1657-1652

Sales: 3,304 (5,916) lots of 10 tonnes.
ICCO indicator prices (US cents per pound). Daily price for August 29: 100.57 (97.35); five-day average for September 1: 97.85 (98.28).

COFFEE

The market performed strongly without assistance from New York. Aggressive trade buying on the opening pushed levels up to £80 higher by mid-morning, surprising the market generally. Light commission selling could not stop values making new recent highs and this in trend prompted fresh buying, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
Sept	2330-2335	+115.0	[illegible]
Nov	2380-2384	+114.5	[illegible]
Jan	2345-2348	[illegible]	[illegible]
Mar	2325-2330	[illegible]	[illegible]
May	2305-2310	[illegible]	[illegible]
July	2295-2300	[illegible]	[illegible]
Sept	2280-2285	[illegible]	2280

Sales: 8,771 (11,928) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for August 29: Comp. daily 1979 177.02 (174.25); 15-day average 160.36 (158.25).

SOYABEAN MEAL

Prices traded lower throughout the day with heavy volume on a spot October position. Being declaration day good option hedging was met by commercial buying, reports Muirpace.

	Yesterday's close	+ or −	Business done
	£ per tonne		
October	134.5-135.0	−1.35	135.0-134.5
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	
April	[illegible]	[illegible]	
June	[illegible]	[illegible]	
August	[illegible]	[illegible]	
October	[illegible]	[illegible]	

Sales: 1,043 (46) lots of 20 tonnes.

GRAINS

Wheat and barley saw gradual selling pressure throughout the day on spot positions. Deferred positions found shipper support, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or −	Yest'rdy's close	+ or −
Sept	106.00	−1.35	104.40	−0.15
Nov	107.50	−0.45	106.20	−0.10
Jan	110.20	−0.45	109.65	−0.15
Mar	112.40	−0.45	111.95	−0.15
May	114.90	−0.30	114.10	−0.15

Business done—Wheat: Sept 107.00-6.00, Nov 108.20-7.80, Jan 110.50-10.20, Mar 112.60-2.40, May 115.15-5.10. Sales: 134 lots of 100 tonnes. Barley: [illegible]

LONDON GRAINS—Wheat: [illegible]

HGCA—Locational ex-farm spot prices. [illegible]

TEA

22,788 packages were on offer in the London tea auction, including 1,200 packages in the offshore section, reports the Tea Brokers' Association. A strong demand prevailed although buyers proved more selective towards the close. Prices were generally fully firm and often dearer with bright liquoring East Africans showing some appreciable advances. The larger selection of Ceylons met good competition and tended dearer except for BOPs which were neglected. In the offshore section Bangladesh offerings attracted limited support but other descriptions sold readily with brighter teas dearer. Quotations: quality 200p a kg nominal (200p); medium 170p (168p); low medium 115p (115p).

Burma cuts energy development plans

BY A SPECIAL CORRESPONDENT

FACED WITH a deteriorating balance of payments, in spite of growing agricultural and timber exports, Burma has cut its ambitious energy development programme sharply, damaging hopes of a faster pace of economic growth. The main victim of recent austerity budgeting has been the long planned Martaban gas project for which foreign loan financing had been obtained after three years of intensive effort.

The $1bn plus offshore Martaban gas scheme was intended to develop gas reserves estimated at about 4,000bn cubic feet in the Gul of Martaban. Self-imposed external borrowing curbs mean Burma will now concentrate on developing smaller, less costly, onshore gas reserves under a more modest energy development programme now being introduced following a change of Energy Minister.

In spite of Burma's debt-service ratio—officially running at over 43 per cent—and the obvious burden financing the Martaban project would have placed on the balance of payments, the Government's sudden decision to defer the scheme took most foreign companies and local state corporations involved in the project by surprise. The decision followed a Cabinet reshuffle late last year when Muang Cho, who had backed the Martaban scheme since its inception, was replaced as Energy Minister by Sein Tunn, the then Minister of So-operatives and said by some observers to be a rising star in the Burmese Cabinet.

Less than a week before a top level Government team was due to visit Washington, West Germany, Austria, Norway and Japan to sign financing agreements with the World Bank and the governments involved, diplomats in Rangoon were told the project was being reconsidered. No further statement has been made, so international interest has switched to more modest onshore gas development schemes which the new Energy Minister has said will go ahead.

Burmah's dependence on agriculture and forestry for 80 per cent of its foreign exchange earnings has made it highly vulnerable to weakening international commodity prices. And the Government has come under increasing pressure to do something about energy supplies from a public which has become used to kerosene rationing and queues for petrol since oil production began to fall from a self-sufficiency level of about 30,000 barrels per day in the mid-1970s.

According to government figures oil production is about 26,000 barrels a day (b/d), although some observers believe this is too high.

Although energy is Burma's most secretive state sector a few foreign firms have had to be allowed in when local technology and expertise cannot cope. Japan National Oil Corporation (JNOC) has been involved in oil exploration in Burma since 1979 under joint operation agreements. It was JNOC which discovered the Martaban gas field in 1982 while looking offshore for oil.

Earlier this year, JNOC's president, Mr Toshinobu Wada, proposed a joint oil production sharing deal to Energy Minister Sein Tun during a two-day visit to Rangoon. The proposal covers development of existing oilfields at Mann and Prome, up the Irrawaddy River, where recovery of undeveloped heavy crude deposits would require new equipment and investment.

Oil deposits attracting Japanese interest lie below 3,000 metres which is believed to be deeper than the state-run Myanma Oil Corporation can drill to at present. Developing these deposits would also increase figures for Burma's oil reserves, now estimated to be at least 400m barrels, and possibly as high as 2.1bn barrels.

Although initially disappointed when oil exploration led to gas discoveries, Burma has become increasingly dependent on natural gas to fire electric power stations and as feedstock for fertiliser factories. Currently almost half the state-run Electric Power Corporation's 704 megawatts of installed generating capacity is provided by gas-fired power stations.

Although the Government would like to increase the Electric Power Corporation's generating capacity by developing cheaper hydroelectric power in future, the cost of dam construction is now more than the Burmese can afford. Plans to build the 140 mw Puang Luang hydroelectric dam, which would increase Burma's total electricity generating capacity by almost 20 per cent, have been deferred indefinitely due to the Government's reluctance to increase foreign borrowing. Instead natural gas will continue to be used to expand the electricity generation capacity.

With the Martaban scheme now deferred for several years at least, the Ministry of Energy is looking at a number of more modest gas development schemes to use onshore gas reserves, estimated variously as between 1,000 bn and 2,000 bn cubic feet.

Myanma Oil Corporation hopes to move ahead shortly with a long-standing plan to build a 260-mile gas pipeline from Kyaiklat gas field in the Irrawaddy Delta to Rangoon and then on to the port city of Moulmein. The pipeline would supply gas to electric power stations as well as textile factories, paper pulp plants and sugar mills en route.

The World Bank is understood to have offered to finance a feasibility study of the gas pipeline, while the Burmese are said to be hoping to obtain a World Bank loan of about $100m to finance the project.

Meanwhile, Burma hopes to use natural gas to offset some of its oil production shortage. The Energy Ministry has announced plans to build a methanol to gasoline (MTG) plant at Seiktha where Voest Alpine and partner Lurgi of West Germany are completing work on a methanol plant. Also proposed is the construction of a compressed natural gas (CNG) plant to produce vehicle fuel. At least one European company has been asked to prepare plans for the plant though the proposed site has not been named.

The use of gas as vehicle fuel is not new in the Asia-Pacific region. Already most taxis in Bangkok run on liquid petroleum gas (LPG) carried in canisters in their luggage compartments while in Malaysia, the state oil and gas corporation, Petronas, is conducting a trial study using CNG for its vans. Burma's Energy Minister Sein Tun is believed to have discussed the use of gas as a vehicle fuel when visiting New Zealand earlier this year.

US markets were closed yesterday for the Labour Day holiday.

POTATOES

The Dutch market again led the way, dropping Fl 2 before London opened. Weaker sentiment ont he physical market and general expectations of improved UK yield resulted in losses of £10.00, basis April, by mid-morning. A nervous recovery was due to short-covering ahead of a rumoured PMB meeting today, from which it is hoped further planting figures and possible yield indications may emerge, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Sales: 1,312 (1,222) lots of 40 tonnes.

OIL

Dubai traded around $12.75 for September and $12.60 for October. Elsewhere, due to the US public holiday, the spot crude market marked time. The petroleum products market was quiet with traders unwilling to take positions, with future price movement uncertain and with the Opec summit in Harare, reports Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Sept	Latest	Change + or −
Arab Light	[illegible]	[illegible]
Arab Heavy	[illegible]	[illegible]
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Forcados (Nigeria)	[illegible]	[illegible]
Urals (cif NWE)	[illegible]	[illegible]

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	[illegible]	[illegible]
Gas Oil	[illegible]	[illegible]
Heavy fuel oil	[illegible]	[illegible]
Naphtha	[illegible]	[illegible]

GAS OIL FUTURES

Month	Yest'rday's close	+ or −	Business Done
	US $ per tonne		
Sept	131.50	[illegible]	[illegible]
Oct	137.50	[illegible]	[illegible]
Nov	140.00	[illegible]	[illegible]
Dec	143.75	[illegible]	[illegible]
Jan	145.75	[illegible]	[illegible]
Feb	146.50	[illegible]	[illegible]

Turnover: 849 (1,033) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 59.50p (same): Oct 59.00p (same); Nov 59.00p (same). The Kuala Lumpur fob price (Malaysian cents per kilo): RSS No. 1 — (217.0) and SMR20 — (187.0).

FUTURES—Index 593, Sept/Oct 585-590, Oct/Dec 585-590, Jan/March 585-588, April/June 607-612, July/Sept 609-615. Sales: 0.

SUGAR

LONDON DAILY PRICE—Raw sugar $122.00 (£82.00), down $1.00 (down 50p) a tonne for September-October delivery. White sugar $178.00, down $3.50.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Sales: 1,433 (3,622) lots of 50 tonnes.
Tate and Lyle delivery price for granulated basis sugar was £183.50 (£185.50) a tonne for export.
International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for August 29: Daily price 4.76 (4.95); 15-day average 5.33 (5.43).
PARIS—(FFr per tonne): [illegible]

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
BFI	872.0		864.0

Turnover: 84 (137).

	Close	High/Low	Prev.
Tankers			
Sep.	[illegible]	1070	[illegible]
Oct.	[illegible]		[illegible]
Dec.	[illegible]		[illegible]
Mar.	[illegible]		[illegible]
June	[illegible]		[illegible]
BFI	1249.5		1250.0

Turnover: 14 (5).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

STERLING AND the US dollar were both a litle easier yesterday in very quiet trading. Volume was reduced by the closure of all US markets for a holiday. The dollar initially benefited from a little short covering but tended to lose ground during the afternoon as economic fundamentals reasserted themselvs. The market was disappointed about Friday's announcement of a record US trade deficit and in view of the reluctance shown by West German and Japanese officials to cut their base rates, dealers were becoming more convinced that US authorities would soon announce another cut in the US discount rate.

The dollar closed at DM 2.0240 against the D-Mark, its lowest level for five and a half years and down from DM 2.0350 on Friday. Against the yen it eased to Y153.80 from Y154.50 and SFr 1.6330 compared with SFr 1.6420. It was also weaker against the French franc at FFr 6.6475 from FFr 6.6875.

STERLING — Trading range 1.5555 to 1.3700. August average 1.4870. Exchange rate index 71.0 unchanged from the opening but down from 71.1 on Friday.

£ IN NEW YORK

Sep 1	Close	Prev. close
Spot	$1.4925-1.4935	$1.4915-1.4925
1 month	0.54-0.51 pm	0.56-0.53 pm
3 months	1.57-1.53 pm	1.51-1 [illegible] pm
12 months	5.25-5.15 pm	5.17-5.10 pm

Forward premiums and discounts apply to the US dollar

Sterling remained on the sidelines for much of the day, deriving little support from the dollar's weaker trend. Recent comments about a return to a trade deficit were hardly encouraging. The pound was slightly firmer against the dollar at $1.4905 from $1.4885 but eased to a record closing low against the D-Mark to DM 3.0175 from DM 3.03. It was also lower against the yen at Y229.25 from Y230.0 and SFr 2.4350 from SFr 2.4450. Against the French franc it fell to FFr 9.91 from FFr 9.9250.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0240. August average 2.0624.

Trading was quiet and uneventful in Frankfurt, reflecting the closure of US markets. The dollar closed at DM 2.0275 down from DM 2.0350. Earlier in the day it had been fixed at DM 2.0281 from DM 2.0520 and there was no intervention by the Bundesbank. Sentiment remained depressed by last week's poor US trade figures but there was little incentive to push the dollar much weaker in view of the absence of US markets. However the dollar's tone remained bearish and dealers were expecting the market to test the DM 2.00 level later this week.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15.

The dollar finished towards the day's best level in Tokyo but was still down from Friday's level. The US unit attracted corporate demand through the day and this led some traders to cover positions, taken out in anticipation of the dollar falling sharply. Although this did not happen, the US unit retained a bearish undertone after last week's poor trade figures. Trading was subdued however because of the closure of all US centres. The dollar closed at Y154.0 against Y156.05 on Friday.

POUND SPOT—FORWARD AGAINST POUND

Sept 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4875-1.4920	1.4900-1.4910	0.54-0.51c pm	4.23	1.58-1.53 pm	4.17
Canada	2.0617-2.0688	2.0655-2.0665	0.40-0.30c pm	2.03	0.96-0.80 pm	1.70
Nethlnd.	3.38½-3.41	3.39½-3.40½	1⅛-1⅛c pm	4.41	4⅛-3⅞ pm	4.63
Belgium	62.36-62.65	62.55-62.65	15-8c pm	2.30	41-30 pm	2.27
Denmark	11.40-11.44	11.42¾-11.43¾	1½-½ore pm	1.18	2⅛-1⅛ pm	0.72
Ireland	1.0980-1.1125	1.0975-1.0985	par-0.10 dis	−0.11	0.10-0.30dis	−0.73
W. Ger.	3.0098-3.0232	3.0170-3.0180	1½-1¼pf pm	5.47	4⅛-3⅞ pm	5.30
Portugal	214.20-216.94	215.21-216.94	100-185c dis	−7.36	285-485 dis	−6.94
Spain	198.06-199.00	198.69-198.97	50-95c dis	−4.38	120-185 dis	−3.07
Italy	2077¾-2087¾	2080½-2081½	2-5lire dis	−2.02	6-10 dis	−1.54
Norway	10.81½-10.86¼	10.85-10.86	3⅛-4⅞ore dis	−4.08	11½-12⅞ dis	−4.47
France	9.88¾-9.91½	9.90½-9.91½	2⅞-1⅞c pm	2.57	6⅞-5⅞ pm	2.30
Sweden	10.21-10.25½	10.23½-10.24½	½ pm-½ore dis	−0.37	1⅛-⅞ pm	1.46
Japan	228¾-229¾	228¾-229¾	1-¾y pm	4.58	2⅞-2⅞ pm	4.80
Austria	21.21-21.30	21.28-21.30	8⅞-7⅞gro pm	4.79	24⅞-21⅞ pm	4.32
Switz.	2.4283-2.4394	2.4346-2.4365	1⅛-1c pm	5.54	3½-3⅞ pm	5.54

Belgian rate is for convertible francs. Financial franc 63.35-63.45. Six-month forward dollar 2.93-2.88c pm. 12-month 5.36-5.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4875-1.4920	1.4900-1.4910	0.54-0.51c pm	4.23	1.58-1.53 pm	4.17
Ireland†	1.3540-1.3575	1.3575-1.3585	0.65-0.30c pm	4.21	1.85-1.30 pm	4.65
Canada	1.3845-1.3895	1.3855-1.3865	0.24-0.27c dis	−2.21	0.84-0.89dis	−2.50
Nethlnd.	2.2810-2.2885	2.2815-2.2825	0.10-0.07c pm	0.45	0.30-0.25 pm	0.48
Belgium	41.95-42.05	41.95-42.05	5-9c dis	−1.85	17-22 dis	−1.86
Denmark	7.66-7.68	7.66½-7.67½	1.60-2.20ore dis	−2.97	6.25-6.85dis	−3.41
W. Ger.	2.0190-2.0300	2.0235-2.0245	0.21-0.18pf pm	1.15	0.61-0.56 pm	1.15
Portugal	144½-145½	144½-145½	120-180c dis	−11.57	330-470dis	−11.02
Spain	132.85-133.71	133.05-133.15	85-95c dis	−8.11	225-255 dis	−7.21
Italy	1395-1401	1395½-1396½	7-8½lire dis	−6.84	20½-22 dis	−6.07
Norway	7.28-7.29	7.28-7.29½	4.80-5.20ore dis	−8.24	15.5-15.8dis	−8.63
France	6.64-6.65½	6.64½-6.65	0.80-0.95c dis	−1.58	2.90-3.20dis	−1.84
Sweden	6.85½-6.88½	6.87-6.87½	2.10-2.40ore dis	−3.93	6.10-6.50dis	−3.67
Japan	153.60-154.00	153.75-153.85	0.11-0.08y pm	0.65	0.32-0.27 pm	0.76
Austria	14.25½-14.28½	14.27-14.27½	1-½gro pm	0.63	1⅛-⅞ pm	0.28
Switz.	1.6300-1.6380	1.6325-1.6335	0.23-0.18c pm	1.50	0.60-0.55 pm	1.41

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.50-42.60. Correction for August 29, Spain close 133.45-133.55.

EXCHANGE CROSS RATES

Sept. 1	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.491	3.018	229.3	9.910	2.435	3.400	2081.	2.066	62.60
$	0.671	1.	2.024	153.8	1.646	1.633	2.282	1396.	1.386	42.00
DM	0.331	0.494	1.	75.97	3.284	0.807	1.127	689.6	0.685	20.75
YEN	4.362	6.502	13.16	1000.	43.23	10.62	14.83	9077.	9.012	273.1
F Fr.	1.009	1.504	3.045	231.3	10.	2.457	3.431	2100.	2.085	63.17
S Fr.	0.411	0.612	1.239	94.15	4.070	1.	1.396	854.6	0.849	25.71
H Fl.	0.294	0.438	0.886	67.43	2.915	0.716	1.	612.1	0.608	18.41
Lira	0.481	0.716	1.450	110.2	4.762	1.170	1.634	1000.	0.993	30.08
C $	0.484	0.721	1.461	111.0	4.797	1.179	1.646	1007.	1.	30.30
B Fr.	1.597	2.381	4.820	366.3	15.83	3.890	5.431	3324.	3.300	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Sept. 1	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10⅛-10⅜	10⅛-10¼	10-10⅛	9⅞-9⅞	9⅝-9⅞	9½-9⅝
U.S. Dollar	5¾-5⅞	5⅞-6	5⅞-5⅞	5½-5⅝	5⅞-5⅞	5½-5⅝
Can Dollar	7¾-8	7¾-8	7⅞-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
D Guilder	5⅛-5⅛	5⅛-5⅛	5¼-5⅜	5⅛-5⅛	5-5⅛	5-5⅛
Sw. Franc	1⅜-1⅝	2¾-3	4⅛-4⅜	4-4⅛	4⅛-4⅛	4-4⅛
Deutschmrk	4⅛-4⅛	4⅛-4⅝	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
Fr. Franc	7-7⅛	7-7⅛	7⅛-7¼	7¼-7⅜	7¼-7⅜	7⅛-7⅛
Italian Lira	11-12	11½-13½	11¼-12¼	11⅜-11⅞	11-11⅜	10¾-11¼
					7⅛-7⅜	
B.Fr.(Fin)	7-7¼	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅜	7⅛-7⅛
B.Fr.(Con)	6⅞-7⅛	7-7¼	7⅜-7⅞	7⅜-7⅞	4⅝-4¾	7-7⅛
Yen	4⅛-4⅛	4⅛-5⅛	5⅛-5⅜	4¾-4⅛	4⅝-4¾	4⅝-4⅛
D. Krone	8¾-9¼	9½-10	10-10⅛	10⅛-11	10⅛-11	10⅛-10⅝
Asian $ (Sng)	5⅞-7	5⅞ 6	5¾-5⅞	5⅝-5⅞	5½-5⅝	5⅝-5¾

CURRENCY MOVEMENTS

August 29	Bank of England Index	Morgan Guaranty Change %
Sterling	71.0	N/A
U.S. Dollar	N/A	—
Canadian Dollar	—	—
Austrian Schilling	—	—

* C$/SDR rate for Aug 29: 1.67516.

OTHER CURRENCIES

Sept. 1	£	$
Arg'tina	1.4925-1.4975	1.005-1.010*
Aus'alia	2.4400-2.4440	1.6390-1.6410
Brazil	20.44-20.57	13.77-13.84
Finland	7.2510-7.2520	4.8720-4.8740
Greece	196.83-200.00	132.28-134.41
H'kong	11.6040-11.6160	7.7985-7.8005
Iran	112.90*	75.40*
Kuwait	0.4335-0.4350	0.29145-0.29175
Lux'burg	62.55-62.65	41.95-42.05
Malaysia	3.8615-3.8785	2.5950-2.6050
N'Z'land	3.0570-3.0650	2.0535-2.0600
Saudi Ar.	5.5820-5.5875	3.7480-3.7500
Sin'pore	3.1990-3.2050	2.1460-2.1480
SAf (Cm)	3.6990-3.7475	2.5125-2.5190
S.Af.(Fn)	7.2560-7.6390	4.8780-5.1285
U.A.E.	5.4680-5.4735	3.6735-3.6755

* Selling rate.

STERLING INDEX

	Sept 1	Previous
8.30 am	71.0	71.0
9.00 am	70.9	71.1
10.00 am	70.9	71.0
11.00 am	70.9	71.1
Noon	71.0	71.0
1.00 pm	70.9	71.0
2.00 pm	70.9	71.1
3.00 pm	71.0	71.1
4.00 pm	71.0	71.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.7139	43.4610	+0.81	+0.77	±1.5388
Danish Krone	7.81701	7.93831	+1.55	+1.51	±1.6403
German D-mark	2.11083	2.09867	−0.58	−0.62	±1.1127
French Franc	6.87316	6.87862	+0.08	+0.04	±1.3659
Dutch Guilder	2.37833	2.36804	−0.43	−0.47	±1.5059
Irish Punt	0.764976	0.763724	−0.16	−0.20	±1.6683
Italian Lira	1476.95	1449.78	−1.91	−1.91	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Quiet trading

Trading was very quiet on the London International Financial Futures Exchange yesterday, with US markets closed for the Labor Day holiday. The closure of US financial centres and the lack of new financial data kept the market subdued. US Treasury bond futures for December delivery attracted little interest, with dealers waiting to see the result of figures on US construction spending and factory goods orders today. Trading was quiet, but underlying sentiment was bullish, on continued signs of weakness in the US economy, after last week's announcement of a trade deficit of $18.4bn for the US in July. December Treasury bonds opened slightly above Friday's close at 101-20, but this was the low of the day. The contract moved up quietly in low volume, to close at the day's high of 101-26, against 101-18 previously.

A forecast by the Confederation of British Industry of slow economic growth in the UK this year, to be followed by a gradual pick up in 1987, and a rising rate of inflation had little impact. December gilts opened almost unchanged at 121-21, and finished at the day's high of 122-04, compared with 121-20 on Friday.

Rates in the tables below for London are September 1, and those for Chicago August 29.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
116	6.33	7.13	—	—	0.25	1.05	—	—
118	4.57	5.49	—	—	0.49	1.41	—	—
120	3.32	4.32	—	—	1.24	2.24	—	—
122	2.23	3.27	—	—	2.15	3.19	—	—
124	1.32	2.34	—	—	3.24	4.26	—	—
126	0.57	1.53	—	—	4.49	5.45	—	—
128	0.32	1.17	—	—	6.24	7.09	—	—
130	0.16	—	—	—	8.08	—	—	—

Estimated volume total, Calls 90, Puts 40
Previous day's open int. Calls 6,824, Puts 2,046

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Dec	Mar	June	Sept	Puts—Last Dec	Mar	June	Sept
90	12.30	—	—	—	0.02	—	—	—
92	10.33	10.23	—	—	0.05	0.35	—	—
94	8.41	8.45	—	—	0.13	0.57	—	—
96	6.55	7.11	—	—	0.27	1.23	—	—
98	5.18	5.50	—	—	0.51	1.62	—	—
100	3.53	4.37	—	—	1.25	2.49	—	—
102	2.42	3.34	—	—	2.14	3.46	—	—
104	1.48	2.43	—	—	3.20	4.55	—	—

Estimated volume total, Calls 150, Puts 0
Previous day's open int. Calls 468, Puts 823

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

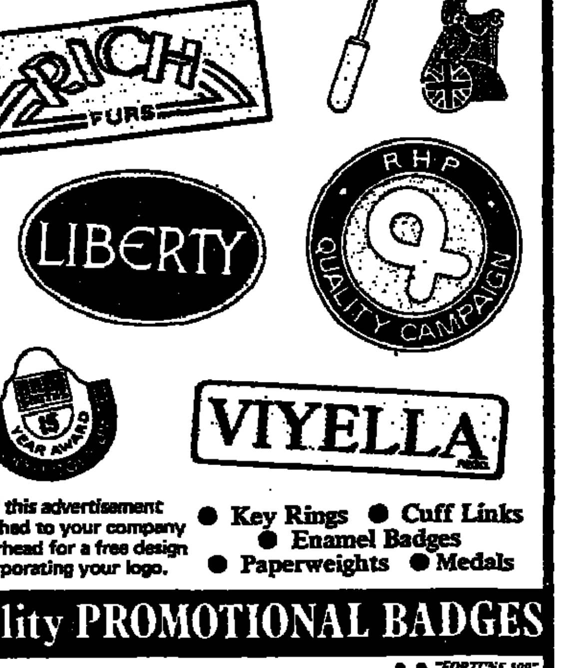
	Close	High	Low	Prev
Sept	94.29	94.30	94.18	94.18
Dec	94.35	94.38	94.22	94.22
March	94.27	94.29	94.15	94.14
June	94.08	94.10	93.98	93.96
Sept	93.79	93.81	93.73	93.69
Dec	93.43	93.47	93.40	93.34
March	93.06	93.14	93.01	93.00
June	92.70	92.79	92.65	92.66

	Close	High	Low	Prev
Sept	170.50	170.90	167.30	168.50
Dec	173.75	173.80	170.75	171.75
March	176.85	—	—	174.85

Est. Volume 615 (531)
Previous day's open int. 2,555 (2,883)

	Close	High	Low	Prev
Sept	1.4876	1.4877	1.4877	1.4846
Dec	1.4725	—	—	1.4697
March	1.4580	—	—	1.4665

Est. Volume 5 (336)
Previous day's open int. (—) (1,430)



Company Notices

NOTICE TO HOLDERS OF NIPPON KOGAKU KK US$60,000,000 4 PER CENT. CONVERTIBLE BONDS DUE 1999

Pursuant to Clause 5 (B) and (E) of the Trust Deed dated 4th September, 1984, we file with you the following notice:

At the meeting of the Board of Directors of our Company held on 28th August, 1986, the resolution was adopted on the issue of New Shares by the Free Distribution, the particulars of which are given in 1) and 2) below. Consequently, the conversion price of the convertible bonds shall be adjusted in the manner as mentioned in 3) below.

1) The free distribution of New Shares will be made to shareholders of record as of 30th September, 1986, Tokyo time, at a ratio of 0.15 shares for each share held.

2) The free distribution will become effective on 20th November, 1986, but the dividends of these New Shares will accrue as from 1st October, 1986, Tokyo time.

3) Adjustment of the Conversion Price. Pursuant to Condition 5 (C) (1), the Conversion Price will be adjusted from Yen 1,099.30 to Yen 955.90 per share of the common stock of the Company effective as from 1st October, 1986, inclusive.

NIPPON KOGAKU KK.
By: The Mitsubishi Bank, Limited, London Branch, as the Principal Paying Agent.
2nd September, 1986.

CHEMICAL NEW YORK CORP. US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

In accordance with the provisions of the Notes, Notice is Hereby Given that for the interest period from 29th August 1986 to 30th September 1986 the Notes will carry an interest rate of 5$\frac{15}{16}$ per cent per annum.

The interest payable on the relevant interest payment date, 30th September 1986 against coupon No. 22, will be US$52.78 per US$10,000 Note.

Agent Bank
CHEMICAL BANK

CREDIT FONCIER DE FRANCE
ECU 50,000,000
TF - 1983-1993

Bondholders are hereby informed that the rate applicable for the fourteenth interest period has been fixed at 7$\frac{5}{16}$%. Coupon No. 15 will be payable as from November 28th, 1986 at the price of ECU 193.26 equivalent to an interest of 92 days, covering the period from August 28th, 1986 to November 27th, 1986 inclusive.

The Reference Agent
CREDIT LYONNAIS—LUXEMBOURG

Classified Rates

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Commercial & Industrial Property	11.50	39.00
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Business, Investment Opportunities	11.50	39.00
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£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on September 1, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.16
Algeria	Dinar	6.90
Andorra	French Franc	9.9100
	Spanish Peseta	198.85
Angola	Kwanza	44.965
Antigua	E. Caribbean $	4.023
Argentina	Austral	1.4950
Aruba	Florin	2.6820
Australia	Australian $	2.4420
Austria	Schilling	21.28

COUNTRY	CURRENCY	VALUE OF £ STERLING
Ghana	Cedi	134.172
Gibraltar	Gibraltar £	1.0
Greece	Drachma	198.415
Greenland	Danish Krone	11.4325
Grenada	E. Caribbean $	4.023
Guadaloupe	Local Franc	9.9100
Guam	U.S. $	1.4905
Guatemala	Quetzal	1.4905
Guinea	Franc	506.60(19)
Guinea-Bissau	Peso	254.01
Guyana	Guyanese $	5.9310

COUNTRY	CURRENCY	VALUE OF £ STERLING
Panama	Balboa	1.4905
Papua New Guinea	Kina	1.4605
Paraguay	Guarani	356.40 (10)
		917.29 (7)
Peru	Inti	exe(A)20.71
Philippines	Philippine Peso	29.85
Pitcairn Islands	£ Sterling	—
	New Zealand $	3.0610
Poland	Zloty	248.90
Portugal	Escudo	216.13
Puerto Rico	U.S. $	1.4905

MONEY MARKETS

Bundesbank keeps lid on rates

There was no indication of easier credit policy, when the West German Bundesbank announced tenders for two securities repurchase agreements yesterday. The central bank left credit policy unchanged at last week's council meeting. The next meeting is on September 11, and if there is to be a cut in interest rates then, it is expected the Bundesbank will signal its intention in the meantime by reducing the rate on securities repurchase agreements.

Today's tender for a 35-day agreement will be at a fixed rate of 4.35 per cent, and at 4.40 per cent for a 63-day pact. These terms are unchanged from recent agreements. Money will be credited to the banks on Wednesday, when two earlier agreements, totalling DM 8.9bn, expire.

Conditions remained very quiet on the London money market. Interest rates were steady, in the absence of any hopes of an early cut in clearing bank base rates. Three-month sterling interbank was unchanged at 9$\frac{13}{16}$-9$\frac{11}{16}$ per cent.

The Bank of England initially forecast a money market shortage of £600m, but this was revised to £650m at noon. Total help provided was £580m.

UK clearing bank base lending rate 10 per cent since May 22

Before lunch the authorities bought £185m bills outright, by way of £7m bank bills in band 1 of 9⅞ per cent; £93m bank bills in band 2 at 9$\frac{13}{16}$ per cent; and £85m bank bills in band 3 at 9¾ per cent.

In the afternoon another £230m bills were purchased, through £71m bank bills in band 1 at 9⅞ per cent: £129m bank bills in band 2 at 9$\frac{13}{16}$ per cent; and £30m bank bills in band 3 at 9¾ per cent.

Late assistance of around £115m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £642m, with the unwinding of repurchase agreements absorbing £636m, and bank balances below target another £120m. These outweighed Exchequer transactions adding £425m to liquidity, and a fall in the note circulation of £375m.

NEW YORK RATES

(Lunchtime)

Prime rate	7½
Broker loan rate	6⅞-7
Fed funds	—
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	—
Two month	—
Three month	—
Six month	—
One year	—
Two year	—
Three year	—
Four year	—
Five year	—
Seven year	—
10 year	—
30 year	—

FT LONDON INTERBANK FIXING

(11.00 a.m. September 1) Three months US dollars		Six months US dollars	
bid 5½	Offer 5⅝	bid 5$\frac{7}{16}$	Offer 5$\frac{9}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

September 1	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-11	10⅛-10⅜	9$\frac{15}{16}$-10⅛	9$\frac{13}{16}$-9$\frac{11}{16}$	9⅝-9¾	9⅜-9¾
Sterling CDs	—	—	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{11}{16}$-9$\frac{9}{16}$	9$\frac{7}{16}$-9½	9$\frac{11}{16}$-9$\frac{9}{16}$
Local Authority Depos	10-10⅛	10$\frac{1}{16}$-10⅛	10-10$\frac{1}{16}$	9¾-9$\frac{13}{16}$	9⅝	9½-9⅝
Local Authority Bonds	—	—	10⅛	10$\frac{1}{16}$	10	9¾
Discount Mkt. Depos	9¾-10	9⅞-10	9⅞	9⅛	—	—
Company Depos	10⅛	10⅛	10-10⅛	9⅞-10	9$\frac{11}{16}$	9$\frac{11}{16}$
Finance House Depos	—	—	10	9⅞	9⅝	9⅝
Treasury Bills (Buy)	—	—	9$\frac{11}{16}$	9$\frac{9}{16}$	—	—
Bank Bills (Buy)	—	—	9$\frac{13}{16}$	9$\frac{9}{16}$	9$\frac{7}{16}$-9¼	—
Fine Trade Bills (Buy)	—	—	10$\frac{1}{16}$	10$\frac{1}{16}$	9$\frac{13}{16}$	—
Dollar CDs	—	—	5.65-5.70	5.45-5.50	5.45-5.50	5.55-5.60
SDR Linked Depos	—	—	5⅞-6⅛	5¾-6	5$\frac{11}{16}$-5$\frac{13}{16}$	5¾-6
ECU Depos	—	—	7$\frac{5}{16}$-7$\frac{7}{16}$	7⅛-7¼	6$\frac{15}{16}$-7$\frac{1}{16}$	6⅞-7

Treasury Bills (sell): one month 9$\frac{19}{32}$ per cent; three months 9$\frac{5}{16}$ per cent. Bank Bills (sell): one month 9$\frac{23}{32}$ per cent; three months 9⅝-9$\frac{21}{32}$ per cent. Treasury Bills: Average tender rate at discount 9.3359 per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): 10.009 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

Sept. 1	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tn
Frankfurt	4.45-4.55	4.35-4.50	4.35-4.50	4.35-4.50	4.35-4.50	5.5
Paris	7	7$\frac{1}{16}$-7$\frac{3}{16}$	7$\frac{1}{16}$-7$\frac{3}{16}$	7-7⅛	7-7⅛	7
Zurich	⅞-1⅛	4-4⅛	—	4-4⅛	—	—
Amsterdam	5⅛-5⅜	5⅜-5⅝	—	5⅜-5⅝	—	—
Tokyo	4.59375	4.84375	—	4.71875	—	—
Milan	11⅛-11⅝	11⅛-11⅝	—	11⅛-11⅝	—	—
Brussels	4.50	7$\frac{1}{16}$-7⅛	—	7$\frac{1}{16}$-7⅛	—	—
Dublin	9⅛-9⅜	9$\frac{15}{16}$-10$\frac{1}{16}$	10¼-10⅜	10⅛-10¼	10⅛-10⅝	—

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102½	100½	Exch. 14pc 1986	100½		13.93	10.14
98⅝	94⅞	Exch 2½pc 1986	98¾	+⅛	2.53	7.87
102½	100⅛	Exch. 13¼pc 1987	101¼	...	13.09	9.63
100¾	97⅞	Treas 10¼pcCv '87	100⅛		10.23	9.65
97½	92½	Exch 2½pc 1987	97¼	...	2.56	7.33
101¾	97½	Exch. 10½pc 1987	100⅛xd	+⅛	10.45	9.61
98⅝	93⅝	Funding 6½pc '85-87‡‡	98⅛	.....	6.60	8.93
101⅛	96½	Treas. 10pc 1987	100⅛	.....	9.98	9.58
97⅛	90⅝	Treas 3pc 1987	96½	...	3.11	7.23
104½	99⅝	Treas. 12pc 1987	102½	−⅛	11.70	9.56
99¼	92½	Treas 7¾pc 1985-88‡‡	98	.....	7.91	9.26
104	96½	Exch 10½pc '88	101½	.....	10.35	9.48
102⅝	95⅝	Treas 9¾pc Cv '88	100⅛	.....	9.71	9.48
94⅝	86⅝	Transport 3pc '78-88	92⅞	.....	3.23	7.22
102½	93½	Treas. 9½pc '88	99⅞	.....	9.51	9.54
107⅛	98⅛	Treas 11½pc 1989	104½	...	11.01	9.39
103½	93⅝	Treas 9½pc Cnv. '89	100⅛	.....	9.48	9.40
92½	82½	Treas 3pc 1989	89⅝	.....	3.34	7.24
105⅛	95⅛	Treas 10½pc 1989	102⅛	+⅛	10.24	9.41
104⅛	94⅛	Exch 10pc 1989	101⅛	...	9.86	9.44
107⅛	97	Exch 11pc 1989	104¼xd	+⅛	10.55	9.39
93⅛	84½	Treas 5pc 1986-89	91⅛	+⅛	5.49	8.30
110⅛	94⅝	Exch 10¼pcCv '89	105⅛	−⅛	9.75	8.36
114⅛	103⅛	Treas 13pc 1990‡‡	110⅛	.....	11.77	9.29
108⅝	97⅛	Exch 11pc 1990‡‡	104⅛	...	10.50	9.31
113⅝	101½	Exch. 12½pc 1990	109⅛xd	.....	11.42	9.34
89⅝	79⅝	Treas. 3pc 1990	86⅛	+⅛	3.48	7.37
100⅛	89⅛	Treas 8¼pc 1987-90‡‡	97½	.....	8.44	8.93
106⅛	93	Treas. 10pcCv 1990	102⅛	+⅛	9.79	9.35
86⅛	76½	Exch 2½pc 1990	83⅝	−⅛	3.00	7.08
112⅛	99⅛	Treas 11¾pc 1991	108⅛	.....	10.85	9.36
94⅛	83⅛	Funding 5¾pc '87-91‡‡	91¼xd	−⅛	6.31	8.04
86⅝	82⅝	Treas. 3pc 1991e	83⅛	.....	3.61	7.33
		Five to Fifteen Years				
110⅝	96⅛	Exch. 11pc 1991	106¾	+⅛	10.30	9.30
118⅝	103⅝	Treas 12¾pc 1992‡‡	113⅞	.....	11.20	9.39
107⅝	92⅛	Treas 10pc 1992	103	+⅛	9.71	9.28
109⅝	94⅛	Treas 10½pc Cv 1992‡‡	105	+⅛	10.00	9.33
117⅛	101⅛	Exch. 12¼pc '92	112¾	...	10.86	9.41

Over Fifteen Years

Undated

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
180	82	♦Midland Marts	173	.....	‡4.0	1.0	3.3	41.5
78½	53½	Mitchell Cotts	55	.....	4.25	1.5	10.9	(7.8)
324	81	♦Monks & Crane 10p	136	.....	12.7	2.9	3.1	15.2
317	210	Morgan Crucible	258	+3	8.5	1.7	4.6	16.2
29½	15½	♦Morris (W) F.A. 20p	21½	.....	—	—	—	—
141	65	Myson Grp 10p	133	+1	2.49	2.6	2.8	17.2
365	259	♦NMW Computers	290	.....	6.0	3.0	2.9	16.7
40	27	Nash Inds	40	.....	10.5	—	1.8	—
*27½	15½	Neil & Spencer 10p	29	.....	‡h—	—	—	—
39	28	Newman Inds 10p	34	.....	0.8	1.2	3.4	(32.7)
134	65	Noble & Lund 10p	132	−1	0.7	4.3	0.7	43.5
65	44	Nolton	45	+1	10.95	7.0	3.0	6.4
145	96	♦Norank Systems 5p	141	.....	—	—	—	18.1
286	187	Norcros	260	−2	9.3	2.2	5.0	12.4
180	49	Nu-Swift 5p	170	+5	3.5	2.1	2.9	22.9
£335	£228	OCE 9pc Cnv 1987-92	£335	.....	Q9%	—	12.7	—
118	80	Oakwood Grp	83	−5	‡3.0	1.3	‡	11.5
250	203	Office & Elect	217	.....	8.5	2.9	5.5	8.8
183	70	Oldacre 20p	176	+1	‡5.0	♦	4.1	♦
36	24	♦Optometrics $0.01	26	.....	—	—	—	—
850	500	Oriflame £1	825	−5	24.5	2.1	4.2	16.0
10	6	Overstone 12½c	6	.....	‡Q0.23c	1.9	14.1	3.7
142	85	♦PCT Grp 10p	110	.....	3.2	♦	4.0	♦
£20¼	950	PLM 'B' Sk 25	£17¼	.....	Q23.2%	0.3	3.4	—
185	114	PSM Intl	185	.....	‡d5.5	2.1	4.2	14.1
255	167	♦Pacer Systems $0.01	195	.....	[illegible]	3.4	1.4	21.7
78	56	♦Pacific Sales 10p	62	.....	3.0	2.1	6.8	8.1
342	225	Park Place 10p	330	.....	‡16.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	375	.....	19.5	2.9	3.6	13.6
555	208	♦Parkfield Group 5p	485	−5	3.6	♦	1.0	♦
53	20	♦Pavion Intl	24	.....	—	—	—	6.4
£130	£78	Do 13pc Cv Ln '94-02	£90	.....	Q13%	—	14.8	—
608	393	Pearson	523	+5	10.0	2.8	2.7	17.5
26	12	Peek Holdings 7p	19	.....	—	—	—	—
145	88	Peerless	130xd	−1	6.3	♦	6.4	♦
519	141½	Pentland 10p	495	+15	‡10.75	22.4	0.2	25.8
£14	775	Photo-Me	£12¾	.....	‡5.08	8.3	0.6	[illegible]

MINES—Continued

Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
78	30	Anglo-Dominion	64½	.....	—	—	—
42	23	Anglo Utd Dev	23	.....	1.07	♦	6.5
80	33	♦Colby Res Corp	36	.....	—	—	—
300	115	Cons. Murch. 10c	150	+10	Q100c	♦	13.4
34	26	♦Ennex Int. Ir10p	26	−2	—	—	—
105	70	Greenwich Res	105	+6	—	—	—
157	93	Hampton Areas 10p	146	.....	‡1.0	—	1.0
327	165	♦Highwood Res	291	.....	—	—	—
£19¼	£13¼	Homestake Mining $1	£16¼	+⅛	Q20c	—	0.8
310	175	♦McFinley Red Lake	175	.....	—	—	—
285	144	♦Musto Explorations	206	.....	—	—	—
51	28	♦New Sabina Res C$1	29	.....	—	—	—
285	200	Northgate C$1	261	.....	—	—	—
790	513	RTZ	623	+13	22.0	2.8	5.0
£164	£115	Do. 9⅛pcLn '95-2000	£131	+2	Q9½%	15.5	17.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	+1
Craig & Rose £1	£13½	.....
Finlay Pkg. 5p	43	.....
Holt (Jos) 25p	825	.....
IoM Stm. £1	73	.....
IRISH		
Fund 13¼% 1988	£101¼	.....
Nat. 9¾% 84/89	£98	.....
Fin. 13% 97/02	£106½	.....
Arnotts	305	.....
CPI Hldgs	44xd	.....
Carrol Inds	123	.....
Dublin Gas	30	.....
Hall (R. & H.)	74	.....
Helton Hldgs.	27	.....
Irish Ropes	90	.....
Unidare	222xd	.....

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equities resume good advance after early caution on CBI survey

Revived institutional support restored confidence when London equities looked to be losing their upward momentum early yesterday, and leading shares soon resumed their recent strong advance. A rather gloomy survey from the Confederation of British Industry forecasting lower UK growth and manufacturing output this year cast a shadow over the early scene. The accompanying claim that economic prospects would brighten in 1987 failed to enthuse the market.

Jobbers were hopeful of the news inciting short-term investors to cash in some of the profits made during the previous rewarding Account, but most were reluctant to part with stock. The closure of the US market for the Labour Day holiday put a damper on early business until the banking sector staged another broad advance. Increasing convictions that applications for the impending Trustee Savings Bank share issue would be heavily scaled down led to further buying from fund managers anxious to balance their longer-term portfolios.

Selected international stocks also rose, propelled by the belief that American investors would show renewed interest today and aggravate the current stock shortages of many blue chips. During yet another squeeze on professional short positions shortly after midday yesterday, the gains in the FT indices were doubled in less than an hour. The rise in values continued throughout the afternoon but during the last 30 minutes the indices drifted away from the highest levels. The FT Ordinary share index closed 10.8 up at 1,322.7, after 1,324.5, while the FT-SE 100 share index ended 11.6 higher at 1,672.8.

The absence of new funding late on Friday gave the Gilt-edged market a modest fillip. More on relief than renewed buying, longer-dated stocks edged forward on firmer Gilt futures indications to close ⅜ better in places. Interest rate considerations — period rates for credit in London money markets held firmly at around 9⅞ per cent—checked shorter maturities which showed scattered changes in either direction.

RBS good

Another good performance by the banking sector was featured by a sudden flurry of buying interest in Royal Bank of Scotland which moved ahead strongly on vague rumours of a possible bid from Hong Kong and Shanghai Banking to close 16 higher at 358p. Among the major clearers, Barclays firmed 6 more to 522p xd, while Lloyds touched 477p prior to closing 4 dearer at 472p. Midland were finally 7 higher at 577p. Standard Chartered rose 10 to 708p xd, after 712p xd, on confirmation that Lloyds Bank had applied to the US Federal Reserve Board for permission to buy up to 29.9 per cent of the SC equity.

Insurances recovered from a cautious opening to close with a sprinkling of gains. Guardian Royal Exchange, however, with half-year figures due tomorrow, settled 5 cheaper at 875p, after 864p.

Revived hopes that the Monopolies Commission will give Elders IXL the go-ahead to resume its offensive stimulated substantial demand for Allied-Lyons which touched 358p before settling a net 10 higher at 355p. Other Breweries were also wanted with Scottish and Newcastle 6 up at 187p and Greene King 5 higher at 233p.

Leading Building issues attracted selective buying interest. Costain rose 10 to 576p, as did Taylor Woodrow, to 318p xd. AMEC, still reflecting the interim results, gained 7 more to 297p, while John Mowlem moved up 6 to 420p. Elsewhere, Wilson (Connolly) advanced 10 to 263p in a restricted market awaiting tomorrow's half-timer, but Derek Crouch, interim figures due the following day, dipped to 168p prior to closing a net 5 off at 173p. Helical Bar revived with a gain of 9 at 242p, while gains of around 3 were seen in Raine Industries, 70½p, and Attwoods, 196p.

ICI made another firm showing and closed ½ higher at a 1986 peak of £10⅞. Other Chemicals to attract support included Laporte, 13 up at 385p and Wardle Storeys, 12 to the good at 347p. Allied Colloids firmed 8 to 220p and Foseco improved 6 to 243p. Buyers returned for Croda International, 4 dearer at 147p and Yorkshire, a couple of pence harder at 138p.

Storehouse buoyant

After a quiet start, business in Stores improved appreciably and dealers reported a lively two-way business throughout the leaders. Storehouse advanced 12 to 360p following publicity given to a clutch of brokers' circulars. Similar gains were noted for Woolworth, 675p, and Dixons, 392p. Burton touched 316p before settling 6 up on balance at 314p. Secondary issues highlighted Goldsmiths which responded to Press comment and reports of a broker's recommendation to close 10 to the good at 224p; sentiment was aided by news that Swinton Insurance Services has increased its stake to 12.3 per cent. Revived hopes of an imminent "shell" operation lifted Amber Day 1½ to 19½p; speculation also surrounded the future of Amber Day's 28.5 per cent holding in USM-quoted John Kent which improved 3 to 89p. Fresh demand in a limited market lifted Body Shop 20 to a year's high of 655p, while Wickes, scheduled to announce interim figures today, hardened a few pence to 176p. Church, however, eased 5 to 360p after reduced half-time profits.

BICC resisted the slightly easier trend in leading Electricals, rising 5 to 288p in anticipation of the interim figures expected on September 10. Thorn EMI also traded firmly at 502p, up 5, but British Telecom eased 4 to 204p and Plessey gave up 3 to 188p xd. Elsewhere, Amstrad encountered revived support ahead of today's launch of its new computer and closed 10 to the good at 150p. The interim figures from Acorn, up 12 at 58p, were well received, while Zygal firmed 3 to 25p following the better second half trading performance. Oxford Instruments, helped by the proposed acquisition of Plasma Technology (UK), rose 8 to 550p. Other bright spots included Burgess Products, 10 higher at 252p, and Telephone Rentals, 5 better at 205p.

Interest in the Engineering sector remained selective. Aurora, interim figures scheduled for September 10, were in demand and closed 5½ better at 69p, while Laird Group, also due to report half-year results soon, put on 5 further to 241p. Press mention left Johnson and Firth Brown 2½ to the good at 37p, but United Spring eased to 67p after acquisition news and the proposed rights issue. Satisfactory interim figures left Richards (Leicester) 3 firmer at 88p.

Food Manufacturers made useful progress before shading late in the session. Unigate were particularly firm, at 298p, up 10, while United Biscuits, reflecting Press comment, gained 7 to 247p. Rowntree Mackintosh continued its recent revival and rose a further 15 to 415p, while Northern Foods firmed 4 to 296p. Tate and Lyle hardened 5 to 590p. In the Retailing sector, recently overlooked Kwik Save revived strongly and closed 10 higher at 292p. Improvements of a couple of pence were seen in J. Sainsbury, 414p, and Dee Corporation, 262p. Bejam added 3 to 165p as takeover rumours revived. Elsewhere, Bernard Matthews attracted support in a restricted market and advanced 22 to 282p. Sidney C. Banks met with persistent demand following newsletter comment and rose 35 to 395p.

Press comment relating to the possible sale of US subsidiary Liggett and Myers and news that the company's International Distillers and Vintners subsidiary is to distribute Amaretto Di Saronno, the Italian liquer in the US, combined to boost Grand Metropolitan a further 5 to 408p, after 410p. Trusthouse Forte were also good, at 155p, up 6, while Ladbroke gained a like amount to 361p. London Park Hotels rose 30 to 565p in a limited market.

British Aerospace up

Enlivened afresh by the Farnborough Air Show and the announcement of the order for six BAE 146 aircraft from Air Wisconsin, British Aerospace encountered buying interest and put on 16 to 519p. Evered, still reflecting the sale of its stake in TI, advanced 14 more to 246p. Thermax advanced 6 to 137p, after 140p, following better-than-expected preliminary figures and the proposal to seek a full listing, while favourable Press mention left BBA 9 firmer at 203p and UDO Holdings 3 dearer at 148p. Pentland Industries, the subject of profit taking after the recent bumper interim results, met with a revival of buying interest and put on 15 to 455p, after 460p. Extel rallied 9 to 373p, while Metal Closures, due to reveal interim figures tomorrow firmed 5 to 155p. Portals gained 20 to 325p in a limited market, but Bridport Gundry encountered profit-taking and reacted 5 to 232p. Occasional demand left Cowan de Groot 4 better at 67p. Following the reorganisation, dealings resumed in Hollis at 86p compared with the suspension price of 65p; it was announced yesterday that the company's furniture and timber division has been awarded orders totalling around £14m. Stainless Metalcraft rose 10 to 192p on a newsletter recommendation. Most leading miscellaneous industrials edged higher after a rather subdued start. Beecham settled 4 better at 420p and Glaxo improved 5 further to 995p, while Boots put on 3 more to 221p.

Expectations of sizable orders emanating from the Farnborough Air Show prompted widespread demand for aircraft component suppliers. Lucas featured with a gain of 17 to 551p, while FR, additionally buoyed by Press comment, advanced 14 to a year's peak of 337p. Dowty put on 6 to 226p. Elsewhere, fresh speculative enthusiasm was evident for Armstrong Equipment, 6 up at 126p, Airflow Streamlines, 4 dearer at 62p, and Kwik-Fit, also 4 to the good at 121p. Jaguar, in receipt of further US demand late on Friday, rose 15½ to 522p xd. Buyers also returned for truck manufacturers ERF, finally 6 up at 88p. Distributors were not neglected, notably Lookers which responded to fresh takeover hopes with a gain of 16 to 185p. Hartwells put on 4 to 97p, after 100p, while BSG hardened 3 to 48p. Evans Halshaw rose 3 to 124p awaiting today's mid-term statement.

Publishers were quietly mixed. William Collins hardened 5 to 465p with the A shares 10 to the good at 303p on support ahead of Thursday's half-timer. Home Counties, however, dipped 10 to 220p; the interim figures are scheduled for Friday. Favourable comment in the weekend Press gave a lift to selected Advertising and related counters. Boase Massimi Pollitt, 293p, and Abbott Mead Vickers, 225p, advanced 6 and 7 respectively for this reason, while Barham, expected to reveal interim results early next week, improved a few pence more to 170p. Goodhead Print rose 5 to 120p in response to the increased preliminary figures and proposed rights issue in Convertible Preference shares.

Properties featured revived demand for Land Securities and MEPC both of which moved ahead on Far-Eastern takeover speculation; the former closed 8 higher at 333p, while the latter finished 7 up at 340p. Slough Estates continued to trade firmly and added 2½ more to 181p xd, while Brixton Estate hardened 2 to 162p; the latter's interim results are due on September 16. Elsewhere, Marlborough, a rising market recently on takeover speculation, gained 6 to 90p on the announcement that the company had received a tentative bid approach. Parkdale attracted further buying interest at 91p, up 4, while Edmond Holdings gained 1½ to 24p.

The strength of London equities prompted another firm showing by Investment Trusts. Double-figures were commonplace with Altifund Capital 15 better at 695p, British Investment Trust 10 to the good at 445p, and Alva 11 up at 183p. Financials, however, were relatively subdued. Exco International, still the subject of takeover chatter, rose 5 more to 233p; today's interim results are expected to produce pre-tax profits of around £27m. Fund management groups made modest progress under the lead of Framlington which hardened 15 to 750p on support ahead of Friday's preliminary results. M & G rose 7 to 260p, and Henderson put on a few pence to 853p. Interest revived in NMC Investments, finally 8 dearer at 153p.

Shell gain ground

Initial small falls in the oil majors, reflecting the uncertain performance by Wall Street on Friday, were quickly recouped and Shell, after slipping to 920p during early trading, picked up to end a net 11 firmer at 936p. BP were finally 5 better at 653p, ex-dividend. Favourable Press comment helped Burmah edge up a few pence to 410p while takeover speculation in IC Gas intensified to leave the shares 21 up at a year's high of 476p. Further consideration of the deal with Norwich Union sustained Clyde Petroleum, 3 harder at 44p. Elsewhere, Caledonian Offshore put on 5 to 105p in front of tomorrow's preliminary results, while rises in the region of 2 were common to Pict Petroleum, 35p and Sapphire Petroleum, 31p.

Overseas Traders made progress across a broad front. Dealers reported a lively business in Lonrho which advanced 4 to 211p partly on consideration of the company's extensive gold and platinum interests. Tozer Kemsley and Millbourn, where Mr Ron Brierley holds a controlling stake, rose 10 to 182p, while Ocean Transport and Trading, currently in receipt of an intimated offer from Mr Brierley's IEP (UK), hardened a couple of pence more to 234p. Inchcape put on 7 to 420p; broker de Zoete and Bevan recently returned in encouraging mood from a visit to the company's Singapore operations.

Another upsurge in precious metal prices triggered renewed strong buying throughout South African mining issues. Platinum prices extended their recent advance with the metal price trading at $637.5 during the afternoon, its best level since 1980, and bullion closing $6.5 firmer at $391.75 an ounce, its highest closing level since early-June 1984.

Cape operators, boosted by a good showing by the Financial Rand despite the continuing political uncertainties in the Republic, were heavy buyers of Golds and Platinums which advanced throughout the session to leave the Gold Mines index up 12.6 more at a four-month high of 262.0.

Outstanding performers in the Golds included Randfontein, which improved £1½ to £49½, Vaal Reefs, a point to the good at £45½ and Buffels, a like amount firmer at £15½. Winkelhaak rose ½ to £12½ ahead of the final dividend expected on Thursday.

Impala highlighted platinums and jumped 44 to 770p, ex-dividend, while Rustenburg rose 25 to 770p and Lydenburg 22 to 640p, ex-dividend. The impressive performances by golds and platinums also gave a boost to Financials where the South African-domiciled stocks showed De Beers 21 up at 458p.

UK-registered mining finance stocks attracted persistent support all day, reflecting the buoyant mining sector and a strong showing by domestic equities. Consolidated Gold Fields made rapid progress to end the session 23 up at 523p and Rio Tinto-Zinc put on 13 to 623p.

Traded Options

Traded options began the new months in a reasonably lively fashion with 20,279 contracts struck — 14,244 calls and 6,035 puts. Current favourite Hanson Trust again stole the honours with 2,323 calls and 385 puts transacted. Operators were also active in Marks and Spencer and Grand Metropolitan which attracted 1,316 and 1,061 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Sept 1	Aug 29	Aug 28	Aug 27	Aug 26	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.72	89.64	89.62	89.66	89.74	83.37	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.17	95.62	95.62	95.67	95.48	88.37	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,322.7	1,311.9	1,286.4	1,280.5	1,276.6	1013.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	262.0	249.4	245.1	244.9	246.0	291.7	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.17	4.21	4.29	4.30	4.33	4.64				
Earnings Yld.%(full)	9.64	9.73	10.28	10.40	10.47	11.42				
P/E Ratio (net) (*)	12.73	12.62	11.88	11.72	11.64	10.85				
Total Bargains (Est)	24,886	21,416	20,685	19,520	19,975	21,878				
Equity Turnover £m.	—	878.48	712.67	494.02	404.42	355.80				
Equity Bargains	—	27,362	24,342	21,252	18,535	25,064				
Shares Traded (ml).	—	354.1	297.5	217.9	181.9	185.2				

S.E. ACTIVITY

Indices	Aug.29	Aug.28
Gilt Edged Bargains	99.2	108.8
Equity Bargains	177.3	157.7
Equity Value	1775.6	1440.5
5-Day Average		
Gilt Edged Bargains	111.0	116.0
Equity Bargains	139.7	128.3
Equity Value	1188.7	1105.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1309.1	1309.2	1312.8	1318.5	1322.9	1322.9	1323.5	1324.5

Day's High 1324.5. Day's Low 1308.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.22.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Sept 1 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri August 29 Index No.	Thur Aug 28 Index No.	Weds Aug 27 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	708.21	+0.5	8.62	3.42	14.79	12.42	704.41	693.06	690.71	536.31
2	Building Materials (26)	813.06	+0.3	8.63	3.55	14.60	14.81	810.23	801.57	798.67	562.86
3	Contracting, Construction (31)	1251.18	+1.3	7.51	3.64	18.17	20.68	1235.65	1234.37	1233.57	835.27
4	Electricals (12)	1909.53	+1.3	7.90	4.08	16.66	38.58	1885.66	1869.20	1857.06	1463.42
5	Electronics (38)	1534.19	−0.7	9.82	2.79	13.58	28.24	1544.57	1512.27	1521.24	1418.92
6	Mechanical Engineering (60)	398.18	+1.4	9.85	4.12	12.90	7.44	392.62	390.42	389.21	298.44
8	Metals and Metal Forming (7)	348.41	+0.4	8.71	3.92	14.63	5.18	346.88	342.21	341.87	211.56
9	Motors (16)	285.61	+2.2	9.85	3.53	12.89	5.37	279.57	277.88	276.32	171.08
10	Other Industrial Materials (22)	1303.28	+0.3	6.43	3.09	18.72	18.94	1299.25	1249.36	1229.74	970.28
21	CONSUMER GROUP (182)	955.80	+1.3	7.56	3.11	16.66	14.58	943.10	933.94	931.10	696.79
22	Brewers and Distillers (22)	957.04	+1.5	9.04	3.35	13.54	14.81	943.24	929.15	926.14	682.49
25	Food Manufacturing (22)	714.91	+1.0	9.13	3.66	14.39	13.52	707.95	704.60	700.25	518.41
26	Food Retailing (15)	1964.24	+0.7	5.09	2.64	23.47	29.38	1950.31	1942.51	1930.32	1610.60
27	Health and Household Products (10)	1568.09	+0.8	5.40	2.21	21.92	12.84	1556.01	1537.83	1537.83	1097.40
29	Leisure (28)	941.45	+2.0	7.63	3.87	17.17	22.42	922.58	917.16	915.96	694.54
32	Publishing & Printing (14)	2581.53	+1.1	7.46	4.03	17.32	48.95	2553.94	2519.41	2519.91	1897.95
33	Packaging and Paper (14)	495.91	+0.7	6.70	3.21	19.39	7.31	492.26	490.95	491.95	368.11
34	Stores (38)	923.41	+1.6	6.37	2.72	21.33	11.27	908.43	895.01	891.76	692.50
35	Textiles (17)	531.20	+0.7	9.69	3.64	11.95	9.64	527.34	522.50	518.30	335.75
36	Tobaccos (2)	1185.77	+2.0	12.66	4.13	8.73	22.46	1162.98	1163.40	1163.40	848.46
41	OTHER GROUPS (89)	797.98	−0.2	8.50	3.95	15.16	15.99	799.27	784.17	777.37	787.15
42	Chemicals (20)	989.98	+1.2	8.86	4.19	13.75	27.85	977.90	961.49	952.31	692.27
44	Office Equipment (4)	245.73	+0.3	7.56	4.31	15.99	4.65	245.09	245.49	244.70	205.78
45	Shipping and Transport (13)	1492.78	−0.2	7.84	4.19	16.14	29.60	1495.82	1489.12	1495.19	1282.71
47	Telephone Networks (2)	823.64	−1.3	10.43	4.46	13.11	16.67	834.61	805.74	797.86	928.88
48	Miscellaneous (50)	1092.98	—	6.44	3.13	19.46	15.36	1092.55	1092.70	1071.21	859.86
49	INDUSTRIAL GROUP (483)	859.97	+0.7	8.05	3.39	15.79	14.58	853.65	842.12	838.36	664.74
51	Oil & Gas (17)	1364.25	+0.2	11.98	6.54	10.27	54.83	1361.56	1378.50	1372.98	1214.15
59	500 SHARE INDEX (500)	903.19	+0.7	8.50	3.75	14.87	17.69	897.11	887.07	883.76	710.76
61	FINANCIAL GROUP (117)	623.66	+0.8	—	4.43	—	14.45	618.78	610.70	602.55	488.92
62	Banks (7)	695.64	+1.1	18.50	5.22	7.48	23.57	688.19	668.74	645.74	493.80
65	Insurance (Life) (9)	900.74	+1.1	—	4.17	—	18.37	891.03	880.30	879.55	767.86
66	Insurance (Composite) (7)	493.35	+0.2	—	4.31	—	9.46	492.41	485.58	483.59	369.19
67	Insurance (Brokers) (8)	1175.32	+0.9	8.37	4.29	15.62	24.62	1164.94	1167.17	1172.04	1160.56
68	Merchant Banks (12)	343.16	+0.4	—	4.09	—	5.26	341.77	342.63	339.77	231.12
69	Property (51)	781.88	+0.8	5.56	3.53	23.75	12.30	775.24	773.65	769.08	660.97
70	Other Financial (23)	350.53	+0.7	8.66	4.46	14.30	6.85	348.23	348.30	345.20	276.64
71	Investment Trusts (101)	811.86	+0.7	—	2.96	—	11.86	806.28	799.99	794.39	592.69
81	Mining Finance (2)	289.84	+3.0	12.44	5.53	9.38	6.11	281.48	281.52	280.00	257.97
91	Overseas Traders (14)	652.16	+1.1	11.61	6.67	10.23	24.15	645.20	641.64	641.67	604.86
99	ALL-SHARE INDEX (734)	822.97	+0.7	—	3.86	—	16.51	817.06	807.93	803.57	645.82
		Index No.	Day's Change	Day's High	Day's Low	Aug 29	Aug 28	Aug 27	Aug 26	Aug 22	Year ago
1	FT-SE 100 SHARE INDEX ♦	1672.8	+11.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Mon Sept 1	Day's change %	Fri Aug 29	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS [illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (118)

BRITISH FUNDS (1); AMERICANS (2) BANKS (5); BREWERS (1); BUILDINGS (3); CHEMICALS (6); STORES (6); ELECTRICALS (3); FOODS (3); HOTELS (1); INDUSTRIALS (11); INSURANCE (1); LEISURE (2); MOTORS (6); PAPER (3); PROPERTY (6); TEXTILES (2); TRUSTS (60); OILS (2); OVERSEAS TRADERS (1); MINES (3).

NEW LOWS (12)

BUILDINGS (2) Burnett and Hallamshire, EBC; STORES (1) Usher (Frank); ELECTRICALS (2) PPL, Sintrom; FOODS (1) Cullen's; INDUSTRIALS (4) Aberfoyle, Black Arrow, Brammer, European Ferries; PROPERTY (1) Regentcrest; MINES (1) Regent Mining.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec.	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp.	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co.	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd.	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd.	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk.	10	Westpac Banking Corp.	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E. T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]								
NEDL P	FL170	60	3.50	—	—	4	8	
NATN C	FL85	20	3.60	10	7.30	—	—	FL85.10
NATN P	FL90	261	5.30	—	—	—	—	"
PHIL C	FL60	61	0.70A	366	2A	746	3.30	FL56.10
PHIL P	FL60	34	4.70	79	6	533	6.60B	"
RD C	FL210	725	3.20	299	7.30	111	10.10	FL207.40
RD P	FL190	177	0.90	88	2.50	15	4	"
ROBE P	FL95	20	1.40	6	3.40	—	—	FL95.40
UNIL C	FL520	230	10	28	18.50	—	—	FL512.50
UNIL P	FL500	157	6.20A	28	12.10	—	—	"

TOTAL VOLUME IN CONTRACTS: 27,986

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29

For rate indications see end of Unit Trust Service

Money was given for the call of Pavion, Barker and Dobson, Hyman, Prestwich, Amstrad, Glanfield Lawrence, Conroy Petroleum, Charterhall, Pennine Resources, Octopus Publishing, Sirdar, Horace Cory, BSR International, British Benzol, Lucas Industries, Aurora, Raine Industries, EMAP, Aran Consolidated Gold Fields and Rowntree Mackintosh. A put was taken out in Derek Bryant, but no doubles were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Acorn Computer	58	+12	Lookers	185	+16
Barclays	522xd	+ 6½	Matthews (B.)	282	+22
British Aerospace	519	+16	Midland Bank	577	+ 7
GRE	875	− 5	NatWest Bank	572	+12
Jaguar	522xd	+15½	Shell Transport	936	+11
Lloyds Bank	472	+ 4	Standard Chartered	708xd	+10

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
Amstrad	32	140	+ 4	Boots	23	218	+ 8
NatWest Bank	32	560	+18	ICI	22	£10⅜	+ 0⅜
Lloyds Bank	31	468	+28	BP	21	660	− 6
Pentland Indr.	30	440	−25	British Telecom	21	208	+ 8
BTR	25	315	+19	Dalgety	18	295	− 3
Barclays	22	625	+13	Hanson Trust	17	195	+ 5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	4	52
Corporations, Dominion and Foreign Bonds	3	3	62
Industrials	480	196	840
Financial and Properties	226	55	297
Oils	26	15	73
Plantations	4	2	8
Mines	82	13	90
Others	54	77	73
Totals	943	365	1,495

LONDON TRADED OPTIONS

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Midland Bk (*577)	500	90	107	117	4	7	11
	550	50	67	82	15	17	25
	600	20	30	—	35	40	—
P. & O. (*515)	460	63	75	—	5	10	—
[illegible]							

September 1. Total contracts 20,279. Calls 14,244. Puts 6,035. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FRANCE — GERMANY — ITALY — NETHERLAND — NORWAY — SPAIN — SWEDEN — SWITZERLAND — AUSTRALIA — AUSTRALIA (continued) — HONG KONG — JAPAN — JAPAN (continued) — SINGAPORE — SOUTH AFRICA

Sept. 1	Price	+ or −
[illegible]	[illegible]	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

Indices

NEW YORK — DOW JONES — STANDARD AND POORS — N.Y.S.E. ALL COMMON — AUSTRALIA — AUSTRIA — BELGIUM — DENMARK — FRANCE — GERMANY — HONG KONG — ITALY — JAPAN — NETHERLANDS — NORWAY — SINGAPORE — SOUTH AFRICA — SPAIN — SWEDEN — SWITZERLAND — WORLD

	Sept. 1	Aug. 29	Aug. 28	Aug. 27	1986 High	1986 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Ohio Edison	5,108,700	22¾	+1¼	Grolier	1,272,200	12¾	+1¼
Owens-Corn	4,046,100	75⅞	−1⅞	Mobil	1,074,700	39⅛	−⅞
ATT	1,533,700	24⅝	+⅞	Coca Cola	1,052,800	37⅞	+⅞
USEG	1,495,600	45⅞	+⅞	Hewlett-Pack	1,020,100	40¾	+1½
Dresser Ind	1,417,800	17⅝	+⅞	Exxon	984,600	68⅛	+¼

TORONTO	Sept 1	Aug 29	Aug 28	Aug 27	1986 High	1986 Low
Metals & Minls	c	2,044.88	2,051.18	2,048.5	2,442.85 (21/3)	1,917.4 (5/8)
Composite	c	3,028.29	3,024.69	3,038.1	3,129.11 (18/4)	2,764.8 (17/2)
MONTREAL Portfolio	c	1,513.55	1,520.38	1,523.22	1,623.33 (16/4)	1,388.8 (22/1)

* Indicates pre-close figure

** Saturday August 30: Japan Nikkei 1678.74. TSE 1539.42.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Exch. 10½pc 2005	£110⅝	+⅜
AMEC	58	+7
Acorn Computer	355	+12
Allied-Lyons	297	+10
Amstrad	150	+10
Consgold	519	+16
De Beers Defd	523	+23
Dixons Group	458	+21
Evered	392	+10
Extel	248	+14
FR Group	372	+9
Goldsmiths	337	+14
Impala Plat	224	+10
Imp. Cont. Gas	770xd	+44
Land Securities	476	+21
Laporte Inds.	333	+8
Lookers	385	+13
Lucas Inds.	185	+16
MEPC	551	+17
Matthews (B.)	340	+7
Pentland Inds.	282	+22
Royal Bk. of Scot.	455	+15
Storehouse	358	+16
Tozer Kemsley	360	+12
Trusthouse Forte	182	+10
Unigate	155	+6
	298	+10

FALLS

Allied Irish Banks	198	−14
Eleco	133	−11
Fed. Housing	148	−10
Sedgwick Group	340	−5
Wards Hldgs	260	−20

US trade figures cast spell on Europe

Continued from Page 40

Montedison rose L90 to L3,710 on the announcement in Stockholm that the chemicals group will eventually obtain a majority stake in Swedish biotechnology group Fermenta and ahead of an extraordinary shareholders' meeting called to approve a large rights issue. Other Montedison group shares such as Montefibre and Farmitalia also advanced.

Among other industrial shares, Fiat Common rose L230 to L16,230, just above its previous 1986 high of L16,200. Olivetti Common put on L100 to L18,200.

Elsewhere, insurances saw RAS gain L350 to L65,600 although Generali fell L900 to L167,900. The banking sector saw BNA edge L30 lower to L5,970 and Mediobanca fall L8,450 to L281,400.

Zurich was becalmed by the lack of foreign investors and share prices edged slightly lower. The weaker dollar, however, tended to inhibit any thoughts of a domestic inspired stock rally.

Banks were broadly lower with Swiss Bank moving against the trend as it closed SFr 3 higher at SFr 570. Gotthard Bank bearer suffered a SFr 35 decline to SFr 830, while Baloise among insurers was SFr 30 cheaper at SFr 1,420.

Bonds were steady with a firmer bias as the market sensed that the dollar may fall further, according to dealers.

Stockholm lost more ground under the impact of profit-taking. The Affarsvarlden General index surrendered 2.2 per cent to 685.9 with prices falling across the board.

Blue chips were hard hit as Volvo closed SKr 11 down to SKr 388, while Electrolux at SKr 291 was SKr 5 cheaper. Asea confined its loss to SKr 3 to close at SKr 345.

Saab Scania moved against the trend with a SKr 10 advance to SKr 710 ahead of news that it may launch a new extended version of the Saab SF 340 turbo prop airliner. The aerospace group currently has 90 firm orders for the aircraft and some analysts estimate that a further 200 orders are necessary for the project to break even.

Fermenta resumed trading and promptly lost SKr 17 to SKr 125 in reaction to the news that the biotechnology group had reached agreement over the sale of a critical block of voting shares held by company founder Mr Refaat El-Sayed.

Elsewhere, Pharmacia dipped SKr 5 to SKr 210 and Astra was SKr 5 cheaper at SKr 680.

Oslo closed higher despite some concerted profit-taking. The All-Share index was 1.82 up at 290.59 and turnover was valued at NKr 52.7m.

Kvaerner Industrier suffered the worst of the profit-taking as it dropped back from its high for the year with a NKr 14 decline at NKr 181.

Norsk Data scored a NKr 8.50 jump to NKr 2220. The computer group revealed a 48 per cent gain in first-half profits after the close of trading.

Banks were broadly firmer with Christiania Bank NKr 7.50 up at NKr 192, a new high for the year. Den norske Creditbank returned to just below its 1986 peak with a NKr 5.50 advance to NKr 182, while Bergen Bank at NKr 168 was NKr 3 higher.

FINANCIAL TIMES

WORLD STOCK MARKETS

EUROPE

Spell cast by US trade data

THE BLOATED US trade deficit figures released on Friday cast a cautious spell over European trading yesterday as the dollar retreated and many American investors were absent due to the Labor Day holiday.

Frankfurt continued to move within a narrow range as the Commerzbank index added 25.9 to 2,121.7. Modest forays by profit-takers were discernible in the morning but late afternoon demand by some foreign investors, encouraged by the prospects of lower interest rates, held many stocks at or near their highs for the day.

Car makers and chemicals recorded some of the largest gains despite the weaker dollar which was dragged down by the US trade figures.

Volkswagen was the focus of attention as the volume car producer jumped DM 14.20 to DM 527 on the hopes, confirmed after the close that its new issue of preferred non-voting shares would be priced at DM 350.

Elsewhere, Daimler scored a DM 7.50 advance to DM 1,329.50 and BMW picked up 50 pfg to DM 645. Porsche, reflecting the lower dollar, edged DM 2 down to DM 1,078.

BASF remained one of the main features in the chemicals sector as it sold its German Inmont subsidiary to the local unit of ICI to comply with Cartel Office conditions on its Inmont Corp takeover last year. Earlier this year BASF sold Hartmann Druckfarben to Dai Nippon Ink and Chemicals of Japan in a similar divestiture. BASF gained DM 3.50 to DM 283.50, while Bayer closed DM 4 stronger at DM 315. Hoechst at DM 282 was DM 2 higher.

Deutsche Bank led the banking sector with its DM 8 rally to DM 847, while Dresdner closed DM 3 higher at DM 451.50.

Steels were firm despite the prospects of a stronger competitive challenge from French producers following the weekend announcement of major board changes at the two leading French manufacturers. Hoesch closed DM 4.70 higher at DM 157.20 and Mannesmann edged 50 pfg up to DM 195.

Veba led utilities higher on the prospects of lower interest rates later in the month. It added DM 1.50 to DM 299.50.

Among stronger retailers, Horten moved DM 4.80 closer to its peak of the year with a DM 4.80 jump to DM 237.80.

Engineers moved against the trend with Linde down DM 2 to DM 763 and MAN off DM 5 to DM 228.

The bond market drew inspiration from Friday's US trade figures although turnover was restricted due to the New York market closure.

Price of public authority issues gained up to 60 basis points.

The Bundesbank continued to mask its interest rate intentions by leaving the rates on yesterday's securities repurchase tender unchanged at 4.35 per cent for the short tranche, according to dealers.

The central bank was actively engaged in its market balancing operations as it bought DM 120m of paper after selling DM 26.2m on Friday. The average public authority bond yield fell 1 basis point to 5.56 per cent.

The recent 30-year 6 per cent federal paper jumped 40 basis points to 105.15.

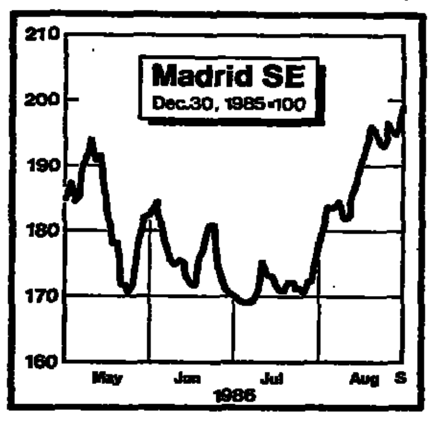
Paris edged higher to another record despite some late profit-taking. The CAC General index gained 0.5 to 412.5.

Radiotechnique was one of the stars of the session with its FFr 53 gain to FFr 979 on reports that the television and electronics group would reveal higher-than-expected first-half results of about FFr 100m against FFr 32m in the first six months of 1985.

Madrid hit a fresh peak as the Bourse index rose 3.12 points to 199.03.

The rally was led again by the communications sector with Telefonica scoring a rise of 4.50 percentage points to 198.75 per cent of nominal value.

Banks were selectively bought after scoring sharp gains last week; Banco Bilbao jumped 20 points to 1,180, a new



high for the year, while Banco Santander managed to close 24 points up at a new high of 825 per cent.

Other leading banks, however, remained unchanged.

Petroleos managed to recover some of the ground lost last week with its 17.70 point gain to 387.70 per cent, while Dragados was 13.50 points up at 375.50 per cent.

Amsterdam was mixed in thin trading due mainly to the dearth of US buyers. The ANP-CBS General index was unchanged at 294.7.

The weaker dollar, fixed at Fl 2.288, also inhibited demand for international stocks, although some late gains were registered.

Royal Dutch added 90 cents to Fl 207.40, while Unilever was down Fl 1.50 to Fl 55.10.

Heineken jumped Fl 3 to Fl 186 as it announced plans to take a controlling interest in El Aguila, the largest brewer in Spain.

Van Ommeren was 20 cents down at Fl 36.20 on its plans to buy a half share in the Dutch storage and distribution group Intexo-Veghel.

Publishers turned mixed with Elsevier and Kluwer firming Fl 1 each to Fl 225 and Fl 270 respectively, while VNU dipped 50 cents to Fl 335.50. Regional newspaper publishers Audet added Fl 6.50 to Fl 207.50.

Bond prices were higher where changed on persistent hopes that key interest rates will fall soon. The average yield on state bonds retreated to 5.76 per cent compared with Friday's 5.80 per cent and the CBS Bond index edged 0.4 higher to 119.80.

Brussels opened easier but recovered to close mixed in light trading. The Belgian Stock Exchange index rose 17.16 to 3,852.58.

Some observers cited continued uncertainty over the country's political and social stability this autumn as cause for the recent decline of foreign investment demand on the bourse.

Market bellwether Petrofina extended opening losses to close the day down BFr 20 at BFr 8,970.

Banks featured throughout the session with Kredietbank jumping BFr 900 to BFr 17,400 after its one-for-eight rights issue was priced at BFr 13,000 per share.

GB Inno BM was the prime feature in the stores sector which enjoyed sporadic overseas demand. It added BFr 100 to BFr 8,450.

Milan ended the day mainly higher after light trading which saw shares in Montedison set a bullish tone for the chemicals, engineering, insurance and food sectors, offsetting selective falls in banking. The Milan stock index was up 0.61 at 823.24 at the close.

Continued on Page 39

SOUTH AFRICA

GOLD shares rose to new records in moderate trading in response to the rise in the bullion price to over $390 an ounce. The Johannesburg stock exchange's all-gold index burst through the 1,700 level for the first time to close at a high of 1,727.0, well above the 1,693.0 record set on Friday.

Among leading gold shares, Southvaal rose R7.50 to R158.50 and Vaal Reefs was up R6 at R328.

Other mining shares including platinum were mixed in subdued trading with Impala Platinum adding 75 cents to R57.50, while Rustenburg Platinum fell 20 cents to R55.80. Diamond stock De Beers gained 25 cents to R33, but copper share Palabora eased 25 cents to R24.50. Mining financials shadowed the higher gold prices and Anglo American advanced R1.25 to R65.25 while Gencor put on R2.75 to R62.75.

Among neglected industrial shares Barlow Rand was the firm spot, rising 10 cents to R19.35 while SA Brews was unchanged at R13.5.

TOKYO

Temporary foothold on fresh peak

AFTER A FIRM start, share prices edged down gradually in Tokyo as the market was depressed by investor concern over precariously high price levels, writes *Shigeo Nishiwaki of Jiji Press*.

The Nikkei average, after gaining 152 to an all-time high at one stage, ended at 18,820.75, up only 33.35 from last week's close. Volume amounted to 895.22m shares compared with Friday's 808.74m. Declines outpaced advances by 369 to 469, with 123 issues unchanged.

With the start of trading for September, the market got off to a strong start. However, investors became increasingly concerned about high prices, since the Nikkei indicator had gained about 419 points on Friday and Saturday. Institutional investors were inactive, contrary to general expectations.

Against this background, trading centred on issues related to the Government's fiscal investment and loans programme and property stocks, which stand to benefit from a package of pump-priming measures to be announced by the Government later this month.

Taisei emerged as the fourth most active stock, with 38.83m shares changing hands, jumping Y26 to Y898 on investor expectations that the Government may boost public works projects in the planned large-scale supplementary budget for the current fiscal year.

Mitsubishi Mining and Cement, the third busiest issue with 40.87m shares traded, added Y69 to Y569, Kajima Y20 to Y1,370 and Ohbayashi Y9 to Y963.

Property stocks returned to the spotlight. Mitsui Real Estate Development and Mitsubishi Estate gained Y140 each to Y2,150 and Y2,540, respectively. Warehouses firmed, with Mitsubishi Warehouse rising Y70 to Y1,500.

Some biotechnology issues were sought. Feijin, with 48.16m shares traded, jumped Y26 to Y725 and Takeda Chemical Y50 to Y2,240. But Yamanouchi Pharmaceutical and Dainippon Pharmaceutical, which were popular the previous week, shed Y60 and Y50 to Y3,240 and Y3,510, respectively, under profit-taking pressure.

Nissan Motor lost Y37 to Y623 on reports of its deteriorating earnings position due to the strong yen and sluggish domestic car sales. Toyota Motor also declined Y20 to Y1,560.

Blue chips were depressed by the yen's fall below Y154 to the dollar at one stage on the Tokyo foreign exchange market. Hitachi fell Y15 to Y975 and Toshiba Y18 to Y635.

Bond prices were easier in the absence of fresh factors in the market.

Institutional investors believe that Japan and West Germany will lower their official discount rates, possibly by the end of September, following the cut by the US Federal Reserve Board last month.

Nevertheless, they opted to wait for the announcement of key US economic indicators scheduled for this week, including the August unemployment rate.

The yield on the benchmark 6.2 per cent government bond, maturing in July 1995, fell to 4.500 per cent at one stage, but turned higher later to finish at Y4.520 per cent compared with Saturday's 4.510 per cent.

Feature, Page 18

SINGAPORE

A SESSION of heavy buying pushed shares higher again in Singapore and easily absorbed sporadic profit-taking.

The Straits Times index rose 14.70 to 853.18 as both institutions and individuals made steady purchases throughout the day. Overseas interest, which helped to lead the market up on Friday, slackened slightly, but local buying enthusiasm filled the gaps.

The rise was led by previously neglected Malaysian issues, with Tan Chong at the head of active stocks as 2.1m of its shares changed hands.

Property was again the object of heavy trading. Singapore Land led the gainers with a 35 cent rise to S$5.70,

Wall Street, Canada and Malaysia were all closed for local holidays.

while Selangor Properties climbed 12 cents to S$1.30 and City rose 9 cents to S$2.10. Only UOL lagged behind, closing unchanged at S$1.49.

Banks were mixed with Malayan Banking up 34 cents to S$4.68, OCBC up 20 cents to S$8.20 and DBS up 5 cents to S$7.95. However, OUB and Tat Lee were both unchanged at S$3.08 and S$2.89 respectively, while TCB dropped 6 cents to S$4.00 following its lower results.

HONG KONG

CORPORATE RESULTS remained the centre of attention in Hong Kong where prices drifted lower throughout the session despite some late bargain-hunting.

Lower-than-expected half year reports last week from three big Hong Kong companies weighed heavily on trading and the Hang Seng index ended the day down 9.98 at 1,903.02 after dropping more than 24 points at one stage.

Hutchison Whampoa, with an earnings rise of only 1.5 per cent against the 20 per cent expected by the market, was steady at HK$33.75. The group has sold its 60 per cent stake in an Australian shopping centre for A$43m.

Swire Pacific fell 30 cents to HK$13.40 after reporting a drop in profits and despite a 69 per cent rise in Cathay Pacific Airways interim earnings. Cathay was unchanged at HK$5.45.

Cheung Kong, which reported profits up but not as high as expected, fell 20 cents to HK$24.20.

LONDON

Confidence overcomes early fears

EARLY CAUTION in London yesterday gave way to a return of confidence and prices resumed their strong advance.

Initial business was dampened by the closure of the US market and by a gloomy survey from the CBI, the employers' group, which forecast lower growth and manufacturing output this year.

The banking sector then staged a broad advance and selected international stocks also rose on the belief that US investors would show renewed interest today and aggravate the current stock shortages of many blue chips.

The FT Ordinary share index advanced 10.8 to 1,322.7 while the FT-SE 100 added 11.6 to 1,672.8.

ICI rose 14p to 1,091p after news that BASF is to sell its Inmont unit to Deutsche ICI.

Among ex-dividend issues, Jaguar firmed 8p to 523p

BAe advanced 10p to 518p after news that Air Wisconsin has signed a letter of intent to purchase six new BAe 146s aircraft worth around $100m.

Longer-dated stocks inched forward on firmer gilt futures to close ⅛ better in places. Interest rate considerations checked shorter maturities which showed scattered changes in either direction.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

AUSTRALIA

SELECTIVE INTEREST, especially among insurers, banks and oil issues, pushed Sydney higher, with volatile trading in BHP, the country's largest publicly-quoted company, grabbing centre-stage on the day.

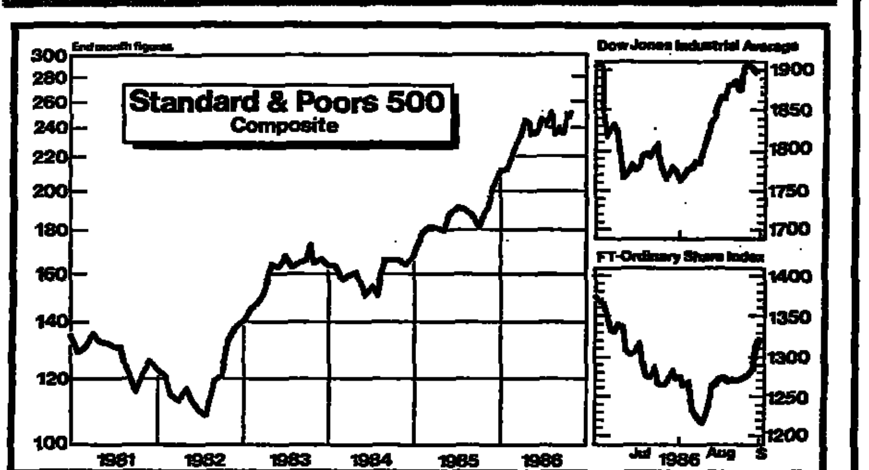
BHP dropped 26 cents to A$7.60, its lowest price since May 1, but still well above its low for the year of A$6.20, after 2m shares changed hands. Adsteam advanced 60 cents to A$12.20.

BHP's major shareholder, Bell Resources lost 5 cents to A$4.90, while parent company Bell Group slid 20 cents to A$10.40.

The good flow of end-of-year results is expected to continue. Boral, the diversified engineering, quarrying and building products group, put on 12 cents to A$4.22 as it reported a 27 per cent increase in profits for the year.

Despite the ANZ bank raising its prime rate to a near record 19 per cent, banks were favoured in the market. Westpac gained 10 cents to A$4.70, National Australian added 6 cents to A$5.40 and ANZ rose 9 cents to A$5.04.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 1	Previous	Year ago
NEW YORK			
DJ Industrials	closed	1,898.34	1,334.01
DJ Transport	closed	772.13	690.66
DJ Utilities	closed	219.15	159.67
S&P Composite	closed	252.93	188.63
LONDON			
FT Ord	1,322.7	1,311.9	1,013.5
FT-SE 100	1,672.8	1,661.2	1,340.8
FT-A All-share	822.97	817.06	646.82
FT-A 500	903.19	897.11	710.76
FT Gold mines	262.0	249.4	291.7
FT-A Long gilt	n/a	9.45	n/a
TOKYO			
Nikkei	18,820.75	18,553.68	12,538.3
Tokyo SE	1,543.08	1,526.73	1,016.66
AUSTRALIA			
All Ord.	1,200.0	1,192.3	939.8
Metals & Mins.	549.9	545.3	549.8
AUSTRIA			
Credit Aktien	239.17	238.66	196.71
BELGIUM			
Belgian SE	3,852.58	3,835.42	2,380.69
CANADA			
Toronto			
Metals & Minls	closed	2,044.88	2,115
Composite	closed	3,028.2	2,819.9
Montreal			
Portfolio	closed	1,513.55	136.87
DENMARK			
SE	199.88	199.32	215.52
FRANCE			
CAC Gen	412.50	412.0	222.4
Ind. Tendance	n/a	158.0	81.9
WEST GERMANY			
FAZ-Aktien	702.65	694.72	501.50
Commerzbank	2,121.70	2,095.8	1,472.8
HONG KONG			
Hang Seng	1,903.02	1,913.0	1,656.10
ITALY			
Banca Comm.	823.24	817.10	375.98
NETHERLANDS			
ANP-CBS Gen	n/a	294.7	220.5
ANP-CBS Ind	295.70	295.8	192.9
NORWAY			
Oslo SE	365.95	365.93	353.63
SINGAPORE			
Straits Times	853.18	838.48	752.65
SOUTH AFRICA			
JSE Golds	–	1,693.0	1,037.0
JSE Industrials	–	1,300.0	957.9
SPAIN			
Madrid SE	199.03	195.91	81.70
SWEDEN			
J & P	2,392.98	2,470.94	1,352.12
SWITZERLAND			
Swiss Bank Ind	560.60	562.10	483.5
WORLD	Aug 29	Prev	Year ago
MS Capital Int'l	358.3	355.5	220.8

COMMODITIES

(London)	Sep 1	Prev
Silver (spot fixing)	348.30p	349.55p
Copper (cash)	£876.75	£878.75
Coffee (Sept)	£2,332.50	£2,217.50
Oil (Brent blend)	$14.50	$14.45

GOLD (per ounce)

	Sep 1	Prev
London	$391.75	$385.25
Zürich	$391.75	$383.00
Paris (fixing)	$392.99	$385.80
Luxembourg	$388.25	$382.65
New York (Dec)	$393.30*	$392.00

CURRENCIES

(London)	US DOLLAR Sep 1	US DOLLAR Previous	STERLING Sep 1	STERLING Previous
$	–	–	1.4905	1.4885
DM	2.0240	2.0350	3.0175	3.03
Yen	153.80	154.50	229.25	230
FFr	6.6475	6.6675	9.910	9.925
SFr	1.6330	1.6420	2.4350	2.445
Guilder	2.2820	2.2940	3.40	3.415
Lira	1,396	1,401	2,081	2,085.5
BFr	42.00	42.20	62.60	62.80
C$	1.3860	1.3875	2.0660	2.0630

INTEREST RATES

	Sep 1	Prev
Euro-currencies (3-month offered rate)		
£	9 15/16	9 15/16
SFr	4⅛	4¼
DM	4 7/16	4 7/16
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	5⅝	5 13/16
6-month US$	5 9/16	5¾
US Fed Funds	—	5¾
US 3-month CDs	—	5.675
US 3-month T-bills	—	5.29

US BONDS

Treasury

		September 1 Price	September 1 Yield	Prev Price	Prev Yield
6⅜	1988	closed	closed	100 4/32	6.074
7¼	1993	closed	closed	102 17/32	6.80
7⅜	1996	closed	closed	102 15/32	7.01
7¼	2016	closed	closed	99 29/32	7.25

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Aug 29* Day's change	Yield	Day's change
1–30	158.37	+0.77	6.70	–0.12
1–10	150.17	+0.54	6.39	–0.13
1– 3	140.15	+0.36	6.00	–0.15
3– 5	152.81	+0.68	6.56	–0.14
15–30	187.83	+1.50	7.71	–0.08

Source: Merrill Lynch

Corporate	September 1* Price	September 1* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	closed		91.25	6.50
SCBT South Central				
10⅜ Jan 1993	closed		106.75	9.47
Phibro-Sal				
8 April 1996	closed		99.66	8.05
TRW				
8⅜ March 1996	closed		103.112	8.27
Arco				
9⅜ March 2016	closed		106.875	9.2
General Motors				
8⅝ April 2016	closed		93.125	8.78
Citicorp				
9⅜ March 2016	closed		99.875	9.39

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	102–13	102–22	102–01	101–19
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.94	94.95	94.80	94.81
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	94.65	n/a	n/a	94.54
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	94.37	94.40	94.33	94.30
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	122-01	121–31	121–14	121–16

* Latest available figures